



**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING
OF SHAREHOLDERS
AND
MANAGEMENT INFORMATION CIRCULAR**

TO BE HELD JULY 5, 2016

JUNE 3, 2016

STERLING RESOURCES LTD.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an Annual General and Special Meeting (the “**Meeting**”) of holders (the “**Shareholders**”) of common shares (“**Common Shares**”) of Sterling Resources Ltd. (the “**Corporation**”) will be held in The Royal Room of the Metropolitan Conference Centre located at 333 – 4th Avenue S.W., Calgary, Alberta, on Tuesday, July 5, 2016 at 10:00 a.m. (Calgary time) for the following purposes:

1. to receive and consider the financial statements of the Corporation for the year ended December 31, 2015, together with the report of the auditors thereon;
2. to consider, and if thought appropriate, to pass an ordinary resolution of disinterested Shareholders to approve Meridian Capital International Fund (“**Meridian**”), together with an existing Shareholder of the Corporation, YF Finance Limited (together with Meridian, the “**Meridian Concert Parties**”), becoming a new Control Person (as such term is defined in Policy 1.1 – *Interpretation* of the TSX Venture Exchange) as a result of the Bond Exchange, as defined and described in the accompanying Information Circular of the Corporation dated June 3, 2016 (the “**Information Circular**”);
3. to consider, and if thought appropriate, to pass a special resolution approving the consolidation of the issued and outstanding Common Shares on the basis of one (1) post-consolidation common shares for every 100 Common Shares issued and outstanding, as further described in the accompanying Information Circular;
4. to consider and, if thought appropriate, to pass, with or without variation, an ordinary resolution approving the stock option plan of the Corporation, all as more particularly described in the accompanying Information Circular;
5. to consider and, if thought appropriate, to pass an ordinary resolution electing four (4) directors of the Corporation for the ensuing year;
6. to consider and, if thought appropriate, to pass an ordinary resolution appointing the auditors of the Corporation for the ensuing year and authorizing the directors to fix their remuneration; and
7. to transact such other business as may properly be brought before the Meeting or any adjournment(s) thereof.

Accompanying this Notice of Annual General and Special Meeting is the Information Circular and Instrument of Proxy. The Information Circular contains detailed information concerning the Corporation and the business to be transacted at the Meeting.

Only Shareholders of record on June 3, 2016 (the “**Record Date**”) are entitled to notice of the Meeting or any adjournment(s) thereof and to vote thereat, provided that, to the extent a Shareholder transfers ownership of any of his Common Shares after such date and the transferee of those Common Shares establishes that he owns the Common Shares and demands, not later than the close of business ten (10) days before the Meeting, to be included in the list of Shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Common Shares at the Meeting. Shareholders who are unable to attend the Meeting in person are requested to date and sign the enclosed Instrument of Proxy. For additional voting options, please refer to the Instrument of Proxy. If a Shareholder desires to be

represented at the Meeting by proxy, the Instrument of Proxy duly completed must be delivered to the office of Computershare Trust Company of Canada at 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, not less than 48 hours (exclusive of non-business days) before the time for the holding of the Meeting or any adjournment(s) thereof.

All Shareholders are encouraged to attend the Meeting and are entitled to vote either in person or be represented by proxy.

DATED at the City of Calgary, Alberta, this 3rd day of June, 2016.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Sherry L. Cremer
Corporate Secretary

STERLING RESOURCES LTD.

INFORMATION CIRCULAR

**Annual General and Special Meeting of Shareholders
To be held on July 5, 2016**

GENERAL PROXY INFORMATION

Management Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the management of Sterling Resources Ltd. (the “**Corporation**”) for use at the Annual General and Special Meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares (“**Common Shares**”) in the capital of the Corporation to be held in The Royal Room of the Metropolitan Conference Centre located at 333 – 4th Avenue S.W., Calgary, Alberta, on Tuesday the 5th day of July, 2016, at the hour of 10:00 a.m. (Calgary time), and at any adjournment(s) thereof, for the purposes set forth in the accompanying Notice of Meeting. It is expected that the solicitation will be primarily by mail, however in addition to the use of mail, proxies may be solicited by personal interviews, telephone or facsimile by directors, officers, regular employees and contractors of the Corporation without payment of special compensation. The cost of the solicitation will be borne by the Corporation. Brokerage houses and other custodians, nominees and fiduciaries will be reimbursed for the expense of forwarding documents to beneficial owners for whom Common Shares are held. The Corporation is not relying on the notice-and-access provisions of National Instrument 51-102 – *Continuous Disclosure Obligations* to send proxy-related materials to registered Shareholders or beneficial owners of shares in connection with the Meeting.

The mailing address of the registered and principal executive office of the Corporation is 1450, 736 – 6th Avenue S.W., Calgary, Alberta, T2P 3T7.

Information contained herein is given as of the date hereof unless otherwise specifically stated. A copy of this Information Circular is available on SEDAR at www.sedar.com.

Appointment and Revocation of Proxies

The persons named in the enclosed Instrument of Proxy are officers of the Corporation. A Shareholder has the right to appoint a nominee (who need not be a Shareholder) to represent such Shareholder at the Meeting other than James H. Coleman, Q.C. or Sherry L. Cremer, by inserting such person’s name in the blank space provided in the Instrument of Proxy and by striking out the other names, or by completing another appropriate form of proxy. Such Shareholder should notify the nominee of the appointment, obtain the nominee’s consent to act as proxy and should instruct the nominee as to how the Shareholder’s Common Shares are to be voted. In any case, the Instrument of Proxy should be dated and signed by the Shareholder or the Shareholder’s attorney authorized in writing, with proof of such authorization attached, or, if the Shareholder is a corporation, it must either be under its corporate seal or signed by an officer or attorney thereof duly authorized.

An Instrument of Proxy will not be valid for the Meeting or any adjournment(s) thereof unless it is completed and delivered to the office of Computershare Trust Company of Canada (“**Computershare**”) at 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, not less than 48

hours (exclusive of non-business days) before the time for the holding of the Meeting or any adjournment(s) thereof. For additional voting options, please refer to the Instrument of Proxy.

In addition to revocation in any other manner permitted by law, a Shareholder who has given a proxy may revoke it at any time before it is exercised. A proxy may be revoked by instrument in writing executed by the Shareholder or by his attorney in writing, or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited at the registered office of the Corporation, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment(s) thereof, at which the proxy is to be used, or with the Chairman of such Meeting on the day of the Meeting, or any adjournment(s) thereof, and upon either of such deposits the proxy is revoked.

Exercise of Discretion of Proxies

The Common Shares represented by proxy in favour of any matter to be acted upon will be voted on any ballot at the Meeting and, where the Shareholder specifies a choice with respect to any matter to be voted upon, those Common Shares shall be voted on any ballot in accordance with the specification so made. **In the absence of any such specification, those Common Shares will be voted in favour of the proposed resolutions contained herein. The persons appointed under the form of proxy furnished on behalf of the Corporation are conferred with discretionary authority with respect to amendments or variations of those matters specified in the Instrument of Proxy and Notice of Meeting and as to other matters which may properly come before the Meeting. At the time of mailing of this Information Circular, the Corporation knows of no such amendment, variation or other matter.**

Notice to Beneficial Holders of Common Shares

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of the Shareholders do not hold Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (referred to herein as “**Beneficial Shareholders**”) should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting or any adjournment(s) thereof. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder’s name on the records of the Corporation. Those Common Shares will more likely be registered under the name of the Shareholder’s broker or an agent of that broker. In Canada, the vast majority of those Common Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or other nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the nominees are prohibited from voting Common Shares for their clients. Subject to the following discussion in relation to NOBOs (as defined below), the Corporation does not know for whose benefit the Common Shares registered in the name of CDS & Co., a broker or another nominee, are held.

There are two categories of Beneficial Shareholders for purposes of disseminating both proxy-related materials and other securityholder materials to Beneficial Shareholders and the request for voting instructions from such Beneficial Shareholders. Non-objecting beneficial owners (“**NOBOs**”) are Beneficial Shareholders who have advised their nominee that they do not object to their nominee disclosing ownership information on their behalf to the Corporation. Such information consists of the Beneficial Shareholder’s name, address, email address, securities holdings and preferred language of communication, and can only be used for matters strictly relating to the affairs of the Corporation.

Objecting beneficial owners (“**OBOs**”) are Beneficial Shareholders who have advised their nominee that they object to their nominee disclosing such ownership information on their behalf to the Corporation.

National Instrument 54-101 – *Communication with Beneficial Holders of Securities of a Reporting Issuer* permits the Corporation, in its discretion, to obtain a list of its NOBOs from nominees and use such NOBO list for the purpose of distributing proxy-related materials directly to, and seeking voting instructions directly from, such NOBOs. As a result, the Corporation is entitled to deliver proxy-related materials to Beneficial Shareholders in two manners: (a) directly to NOBOs and indirectly through nominees to OBOs; or (b) indirectly to all Beneficial Shareholders through nominees. The Corporation has not requested a NOBO list for purposes of the delivery of proxy-related materials to, and seeking voting instructions from, Beneficial Shareholders in relation to the Meeting and will rely entirely on nominees for those purposes, unless the Beneficial Shareholder requested a copy of proxy-related materials. The cost of the delivery of proxy-related materials by nominees to both NOBOs and OBOs will be borne by the Corporation.

Applicable regulatory policy requires intermediaries (such as brokers or other nominees) to seek voting instructions from Beneficial Shareholders in advance of Shareholders’ meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting or any adjournment(s) thereof. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders; however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll-free telephone number to vote the Common Shares held by the Beneficial Shareholder or access Broadridge’s dedicated voting website at www.proxyvote.com to deliver the Beneficial Shareholder’s voting instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting or any adjournment(s) thereof. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting or any adjournment(s) thereof as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting or any adjournment(s) thereof, as the case may be, in order to have the Common Shares voted.

Voting Shares and Principal Holders Thereof

The directors have fixed June 3, 2016 (the “**Record Date**”), as the Record Date for the purpose of determining which Shareholders shall be entitled to notice of the Meeting and any adjournment(s) thereof. Only Shareholders of record at the close of business on the Record Date will be entitled to notice of, and to vote at, the Meeting except to the extent that a person has transferred any Common Shares of the Corporation after that date and the new holder of such Common Shares establishes proper ownership and demands not later than 10 days before the Meeting to be included in the list of Shareholders eligible to vote at such Meeting. The person duly appointed by an Instrument of Proxy will only be entitled to vote the Common Shares represented thereby if the Instrument of Proxy is delivered to Computershare at 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, not less than 48 hours (exclusive of non-business days) before the time for the holding of the Meeting or any adjournment(s) thereof.

The authorized share capital of the Corporation consists of an unlimited number of Common Shares without par value. As of the Record Date, and as of the date hereof, the Corporation had issued

and outstanding 14,719,098,533 Common Shares. Shareholders of record are entitled to notice of and to attend at the Meeting in person or be represented by proxy, and to one (1) vote per Common Share held.

To the knowledge of the directors and executive officers of the Corporation, no person or company beneficially owns, directly or indirectly, or controls or directs, Common Shares carrying in aggregate 10% or more of the votes attached to all of the issued and outstanding Common Shares, except as follows:

Shareholder Name	Number of Common Shares Held	Percentage of Issued Common Shares
Meridian Capital International Fund and YF Finance Limited	5,183,529,730*	35.2%
Deutsche Bank AG, London Branch	2,010,129,871	13.7%
Farallon Capital Management L.L.C., on behalf of certain investment funds	1,739,589,316	11.8%

* Meridian Capital International Fund (“**Meridian**”) and YF Finance Limited (“**YF Finance**” and, together with Meridian, the “**Meridian Concert Parties**”) are considered to be acting jointly and in concert. Meridian holds 5,145,424,727 Common Shares or approximately 34.9% of the Corporation’s outstanding Common Shares and YF Finance holds 38,105,003 Common Shares or approximately 0.3% of the Corporation’s outstanding Common Shares.

Quorum for Meeting

A quorum for the transaction of business at the Meeting shall be two (2) persons present in person, each being a Shareholder entitled to vote thereat, or a duly appointed proxy for an absent Shareholder so entitled and together holding or representing by proxy not less than 10% of the outstanding Common Shares entitled to vote at the Meeting. If a quorum is not present within one-half hour of the time appointed for the convening of the Meeting, the Shareholders present or represented by proxy may adjourn the Meeting to a fixed time and place, provided, however, that if no provision for adjournment is made at any such Meeting or adjourned Meeting at which a quorum is not present, the Meeting shall be dissolved.

Approval Requirements

The specific resolutions that Shareholders will be asked to approve at the Meeting include resolutions which would elect the directors of the Corporation, appoint the auditors of the Corporation and approve the Corporation’s Stock Option Plan (as hereinafter defined). In order to be effective, the foregoing resolutions require the approval of more than 50% of the votes cast in respect of those resolutions by or on behalf of Shareholders present in person or represented by proxy at the Meeting.

In addition, Shareholders will be asked to approve an ordinary resolution approving the Meridian Concert Parties as a new Control Person (as such term is defined in Policy 1.1 – *Interpretation* of the TSX Venture Exchange (the “**TSX-V**”). In order to be effective, the resolution approving the new Control Person requires the approval of more than 50% of the votes cast in respect of the resolution by or on behalf of Shareholders present in person or represented by proxy at the Meeting, after excluding the Common Shares held by the Meridian Concert Parties and their associates and affiliates.

Finally, Shareholders will be asked to approve a special resolution approving the Consolidation (as defined herein) of the issued and outstanding Common Shares on the basis of one (1) Post-

Consolidation Share (as defined herein) for every 100 Common Shares issued and outstanding. In order to be effective, the resolution approving the Consolidation requires the approval of not less than 66⅔% of the votes cast in respect of the resolution by or on behalf of Shareholders present in person or represented by proxy at the Meeting.

Currency

Unless otherwise indicated, all dollar figures are in US dollars.

The following table sets out the average annual foreign exchange rates used in this circular:

<u>Currency Conversions</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
CAD to USD	0.7836	0.9056	0.9711
Pound Sterling to USD	1.5286	1.6476	1.5646

MATTERS TO BE CONSIDERED AT THE MEETING

Financial Statements

The audited financial statements for the financial year ended December 31, 2015 of the Corporation have been forwarded to Shareholders. No formal action will be taken at the Meeting to approve the financial statements, with the requirements of the *Business Corporations Act* (Alberta) (the “**ABCA**”) being met with the advance circulation of such financial statements. If any Shareholders have questions respecting the December 31, 2015 financial statements, the questions may be brought forward at the Meeting.

The financial statements and management’s discussion and analysis relating thereto are included in the 2015 Annual Report of the Corporation, which is available on the SEDAR website at www.sedar.com.

Approval of New Control Person

Background to the Recapitalization

Pursuant to a bond agreement between the Corporation’s indirect wholly-owned subsidiary Sterling Resources (UK) Ltd. (“**SRUK**”) and Nordic Trustee ASA (the “**Bond Trustee**”) originally dated May 2, 2013, as amended and restated on December 12, 2014, May 22, 2015 and November 30, 2015, and as amended by amendment letters dated January 29, 2016, February 16, 2016, February 22, 2016 and February 29, 2016, and as amended by proposals from SRUK approved by a meeting of holders of Bonds (“**Bondholders**”) on March 7, 2016 and March 18, 2016, SRUK issued \$225,000,000 of bonds (“**Bonds**”) under the 9 per cent Sterling Resources (UK) Ltd. Senior Secured Callable Bond Issue 2013/2019 with ISIN No. 0010675671 (the “**Bond Agreement**”).

As a result of a number of factors, including asset related problems, weak commodity prices and the uncertainty associated with the sale of the UK upstream business of RWE AG (initially to LetterOne Holdings and ultimately to INEOS Group AG), SRUK was compelled to negotiate a number of amendments to the Bond Agreement in order not to breach the Bond Agreement, including:

- pursuant to Bond amendments agreed in December 2014, SRUK agreed to the engagement by the Bond Trustee of FTI Consulting, Inc. in April 2015 to perform a financial review of the business, assets, cash flow and business plan of the Corporation

and its affiliates and to continue to monitor and report on SRUK and the progress of any sale or other process conducted by SRUK;

- pursuant to Bond amendments agreed in May 2015, the Corporation retained Jefferies as a financial advisor in July 2015 to assist the Corporation in pursuing potential corporate transactions and a potential sale of all or part of the Corporation's assets. Following Jefferies' appointment, the Corporation undertook a comprehensive formal asset or corporate sale process in the second half of 2015. In pursuit of potential purchasers, over 50 potential purchasers were approached, of which approximately half entered into confidentiality agreements; and
- pursuant to Bond amendments agreed in November 2015, the Corporation was granted a postponement of the October 30, 2015 instalment on the Bonds and had imposed on SRUK and the Corporation a number of refinancing milestones in connection with the intended completion of one or more financing and asset/corporate sale or merger transactions intended to achieve a targeted redemption of the Bonds as soon as practically possible and in any event on or before February 29, 2016 (the "**Bond Redemption Deadline**") together with a payment of an outstanding amortization instalment (with associated premium and accrued interest) by that same date (the "**Outstanding Instalment Deadline**"). The Bondholder meeting held on March 7, 2016 approved an extension of this Bond Redemption Deadline to April 1, 2016 and the Outstanding Instalment Deadline to March 15, 2016 or such later date as may be specified by the Bond Trustee.

SRUK and the Corporation were unable to implement any such financing or asset/corporate sale or merger transactions, and therefore were therefore unable to comply with the refinancing milestones set forth in the Bond Agreement.

As such, the Corporation and SRUK commenced a collaborative process with the Bond Trustee and certain supporting Bondholders, among other Bondholders, pursuant to which the Corporation would be recapitalized, a significant amount of SRUK's outstanding debt under the Bonds would be extinguished, and additional standby funding would be provided, affording the Corporation with much needed financial flexibility and additional liquidity in order to pursue its corporate and commercial objectives.

On January 25, 2016, the Corporation retained FirstEnergy Capital LLP ("**FirstEnergy**") as its financial advisor to assist in assessing the recapitalization being negotiated and, ultimately, to render an opinion to the directors of the Corporation as to its fairness, from a financial point of view, to the Shareholders.

Following several weeks of negotiations and discussions with the Bond Trustee and certain Bondholders, the Board of Directors of the Corporation met on March 9, 2016, with representatives from FirstEnergy and the Corporation's legal advisors in attendance. At the meeting, the Board of Directors of the Corporation: (i) reviewed the terms of the Recapitalization Agreement (as defined below) and received the advice of legal counsel thereon; and (ii) received a verbal opinion from FirstEnergy, as independent financial advisor, that, as of the date thereof, the Recapitalization (as defined below) was fair, from a financial point of view, to the Shareholders. Additionally, the Board of Directors of SRUK conducted a telephone meeting on March 9, 2016. At the meeting, the Board of Directors of SRUK reviewed the terms of the Recapitalization Agreement and received the advice of legal counsel thereon.

Having undertaken a thorough review of, and carefully considering the Recapitalization and the alternatives, including consulting with external financial and legal advisors, the Board of Directors of the Corporation and SRUK unanimously (with, in the case of the Corporation, Gavin Wilson abstaining due to conflict) determined, among other things: (i) that the Recapitalization is in the best interests of the Corporation and SRUK, respectively; and (ii) to recommend that Shareholders vote in favour of those aspects of the Recapitalization that require Shareholder approval; and (iii) approved the entering into by each of the Corporation and SRUK of the Recapitalization Agreement and the carrying out of the Recapitalization.

As a result, on March 11, 2016, SRUK and the Corporation entered into a recapitalization agreement (as amended, the “**Recapitalization Agreement**”) with the Bond Trustee, as trustee for the Bondholders, prescribing the terms and conditions for the implementation of certain recapitalization activities (collectively, the “**Recapitalization**”) in relation to the Bonds, as further described below under “*The Recapitalization*”.

On March 11, 2016, certain supporting Bondholders also executed irrevocable bondholder voting agreements (the “**Bondholder Voting Agreements**”) pursuant to which they agreed, among other things, to vote: (a) all Bonds held by them at a Bondholder meeting to approve necessary amendments to the Bond Agreement to implement the Recapitalization; and (b) all Common Shares held by them in favour of the Consolidation resolution and the resolution approving a new Control Person as set forth herein.

The foregoing is a summary only of the background to and reasons for the Recapitalization and Shareholders should refer to the more comprehensive description thereof set forth and contained in the final prospectus of the Corporation dated April 20, 2016 (the “**Prospectus**”) which is available under the Corporation’s issuer profile at www.sedar.com.

The Recapitalization

The following is a summary only of the Recapitalization and certain provisions of the Recapitalization Agreement, does not purport to be complete and is qualified in its entirety by reference to the description of the Recapitalization set forth and contained in the Prospectus and the provisions of the Recapitalization Agreement itself, both of which are available under Sterling’s issuer profile at www.sedar.com.

Pursuant to the Recapitalization Agreement, the following principal transactions have occurred in the following order, all on the terms and conditions set forth and contained in the Recapitalization Agreement:

- **Rights Offering.** The Corporation conducted a rights offering (the “**Rights Offering**”) by way of the Prospectus to the holders of Common Shares as of the record date of the Rights Offering, being April 27, 2016, pursuant to which eligible Shareholders received rights (“**Rights**”) entitling them to purchase Common Shares at a subscription price of CDN\$0.015398 per Common Share (the “**Subscription Price**”).

The gross proceeds of the Rights Offering, after such funds were converted to U.S. dollars by Computershare Investors Services Inc. at the exchange rate applicable on May 20, 2016, being the business day following the expiry date of the Rights, less the Foreign Exchange Adjustment (as defined in the Prospectus), were \$989,860.65 (the “**Rights Offering Proceeds**”) (with the expenses associated with the Rights Offering being paid from the general funds of the Corporation) and were used solely to fund the release and cancellation of that portion of the liabilities of the Corporation and SRUK under or in connection with the Bonds, including the

obligation to repay the principal amount thereof, together with any accrued and unpaid redemption premium, amendment fees and interest (“**Bond Liabilities**”), allocated as to an aggregate principal amount of Bonds and associated accrued and unpaid redemption premium, amendment fees and interest applicable to such principal amount of Bonds, equal to the Rights Offering Proceeds (the “**Purchased Liabilities**”) and for no other purpose. The Purchased Liabilities were selected pro rata from each of the Bondholders based on the aggregate Bond Liabilities owed to each such Bondholder at the relevant time relative to the entire aggregate Bond Liabilities then outstanding.

- **Bond Exchange.** The Bond Trustee, for and on behalf of the Bondholders, and certain Bondholders directly, subscribed for an aggregate of 14,192,862,213 Common Shares (the “**Exchange Shares**”), being the number of Common Shares equal to the number of unsubscribed Common Shares under the Rights Offering. The Bond Trustee released/cancelled such amount of Bond Liabilities (the “**Exchanged Bond Liabilities**”) in consideration indirectly for the full and final satisfaction of Bond Liabilities equal to the aggregate Subscription Price of the Exchange Shares on the closing date of the Rights Offering, being May 30, 2016 (the “**Closing Date**”), after such amount was converted to U.S. dollars based on the applicable exchange rate on the date of the Prospectus.

As a result, the only Bond Liabilities remaining are the principal amount of \$40,261,519 as at the Closing Date (the “**Remaining Bonds**”), after the release/cancellation of the Purchased Liabilities and the Exchanged Bond Liabilities, and any interest accrued thereon subsequent to the Closing Date.

- **Transfer of SRUK.** On the Closing Date, the Corporation entered into a share purchase agreement and ancillary documentation to transfer the entire share capital of SRUK to a new wholly-owned subsidiary governed by the laws of England and Wales, SRUK Holdings Ltd. (“**SHL**”), in order to provide additional security to Bondholders and lenders under the New Loan Agreement (as defined below) and greater flexibility in a future refinancing of the New Loan Agreement and the Bonds post-Recapitalization.
- **Remaining Bonds.** Immediately following the foregoing transactions, on May 30, 2016, SRUK and the Corporation entered into a further amended and restated Bond Agreement with the Bond Trustee (the “**Amended and Restated Bond Agreement No.4**”) for the purpose of setting out the revised terms and conditions governing the Remaining Bonds, the key terms of which are as follows (further details of which are set out in Schedule A to the Recapitalization Agreement):
 - \$40,261,519 principal amount (with no associated accrued and unpaid redemption premium, amendment fees and interest); no redemption premium or make-whole provision;
 - Maturity date of April 30, 2020;
 - 9% per annum interest coupon, semi-annual interest payment dates on April 30 and October 30, paid in kind until repayment of the SSCF (as defined below);
 - Repayment out of cash sweep (subject to various tests) after full repayment of SSCF and final bullet repayment;
 - Financial covenants comprise, on a simplified basis: (i) a minimum field life cover ratio of 1.5x dropping to 1.0x after the date the SSCF is discharged, (ii) cumulative production

for the previous 12 months to be not less than 90% of budgeted amount, (iii) a minimum cash requirement of the Corporation together with its subsidiaries (collectively, the “Group”) of \$5 million at all times, (iv) a minimum Group cash requirement of \$5 million on a projected basis after the date the SSCF is discharged through to the bond maturity date, and (v) a backward-looking minimum debt service cover ratio of 1.0x; and

- Guarantees from each Group company and a security package based on existing security documents extended to cover SHL.
- **Super senior credit facility.** At the same time as entry into the Amended and Restated Bond Agreement No.4 on May 30, 2016, the Corporation and SRUK entered into a super senior credit facility (the “SSCF”) with certain of the Bondholders or their affiliates, the key terms of which are as follows (the “New Loan Agreement”; further details of which are set out in Schedule A to the Recapitalization Agreement):
 - Two tranches each of \$20 million; Tranche A used first and Tranche B if required; both on a revolving, multi-currency basis;
 - Certain restrictions apply to usage of Tranche A and Tranche B as set out in Schedule A to the Recapitalization Agreement;
 - Final maturity date 24 months after the Closing Date, optional extension to April 30, 2019 subject to satisfying certain conditions; bullet repayment;
 - 7% arrangement fee on each Tranche, for Tranche A paid in cash on the Closing Date, for Tranche B paid in cash upon the earlier of (i) the date of first utilization of Tranche B and (ii) the date falling 24 months after the Closing Date (provided that no fee shall be payable if the SSCF is cancelled in full before that date);
 - Interest rate for each tranche is an aggregate of the margin and LIBOR (subject to a LIBOR floor of 1 percent). Tranche A margin is 13 percent per annum; Tranche B margin is 13 percent per annum increasing 100 basis points each quarter from drawdown of Tranche B (subject to an overall cap of 15 percent per annum);
 - Semi-annual interest payment dates on April 30 and October 30, Tranche A interest paid cash and Tranche B paid in kind;
 - Commitment fee on unused facility equal to half of applicable margin paid on each interest payment date: for Tranche A paid in cash, for Tranche B only applicable if tranche is used and paid in kind;
 - Cancellation premium on Tranche A and (if used) Tranche B, equal to relevant commitment fee on cancelled amount from date of cancellation to the applicable final maturity date;
 - Financial covenants are essentially the same as those applying for the Remaining Bonds (save for those financial covenants which only apply from the SSCF discharge date) and in addition there are utilization conditions which comprise, on a simplified basis: (i) a minimum interest cover ratio (EBITDA to SSCF cash charges) of 1.0x, (ii) a minimum 4-year Rolling NPV cover ratio of 1.3x, (iii) a minimum Group cash requirement of \$5

million on a projected basis until the SSCF discharge date, (iv) in relation to a Tranche B utilization only, a minimum field life cover ratio of 1.75x; and

- Senior ranking in relation to guarantees and security package as described under Remaining Bonds, as set out in the Intercreditor Agreement (as defined below).
- **Ancillary Agreements.** At the same time as entry into the Amended and Restated Bond Agreement No.4 and the New Loan Agreement on May 30, 2016, the Corporation and SRUK entered into an intercreditor agreement (the “**Intercreditor Agreement**”), the principal terms of which are set out in Schedule A to the Recapitalization Agreement, and each of the Corporation and its affiliates (including SHL) executed the guarantees and security documents contemplated in the Amended and Restated Bond Agreement No. 4 and the New Loan Agreement.

Creation of New Control Person

One of the supporting Bondholders, Meridian, represented to the Corporation that it had beneficial ownership of, or control or direction over, directly or indirectly approximately \$55.973 million Bonds and 38,097,003 Common Shares prior to the implementation of the Recapitalization. YF Finance Limited, a party acting jointly or in concert with Meridian, beneficially owned, or had control or direction over, directly or indirectly, an additional 38,105,003 Common Shares.

As a result of the Bond Exchange (as described above), the Meridian Concert Parties now beneficially own, or exercise control or direction over, directly or indirectly, 5,183,529,730 Common Shares (35.2% of the then issued and outstanding Common Shares on an undiluted basis).

The Meridian Concert Parties have, as a result, become a Control Person (as such term is defined in TSX-V Policy 1.1 – *Interpretation*) of the Corporation by virtue of such percentage ownership exceeding 20% of the Corporation’s post-Recapitalization Common Shares. Pursuant to TSX-V Policy 4.3 – *Shares for Debt*, approval of disinterested Shareholders is required in respect of the creation of a new Control Person.

Meridian has agreed on the terms of its Bondholder Voting Agreement to undertake, and has undertaken, to the TSX-V not to vote those Common Shares exceeding 20% of the Corporation’s post-Recapitalization Common Shares until a resolution approving the creation of the Meridian Concert Parties as a Control Person has been approved by disinterested Shareholders.

TSX-V Policies on Control Persons

Under applicable policies of the TSX-V, where a transaction creates a new Control Person, the approval of the listed company’s shareholders (other than such new Control Person and its associates and affiliates) is required to issue listed shares, or securities that are convertible or exercisable for listed shares, to any person or company that would become a new Control Person. A Control Person, for the purposes of the TSX-V policies, includes any shareholder who holds more than 20% of the issued and outstanding voting securities (or securities convertible into voting securities, or a combination thereof) of the listed company, in the absence of evidence to the contrary.

Control Person Resolution

The Shareholders will be asked at the Meeting to consider, and if thought fit, to pass, with or without variation, the following ordinary resolution ratifying, confirming and approving the Meridian

Concert Parties as a Control Person. Since disinterested Shareholder approval is required, the Meridian Concert Parties will be ineligible for voting on this resolution.

“BE IT RESOLVED THAT:

1. the creation of the Meridian Concert Parties as a new Control Person of the Corporation within the meaning of such term under applicable TSX-V policies is hereby ratified, confirmed and approved; and
2. any one director or officer of the Corporation be and is hereby authorized and directed to do all such acts and things and to execute and deliver all such deeds, documents, instruments and assurances as such director or officer may determine to be necessary or desirable to give effect to the true intent of this resolution.”

The Board of Directors of the Corporation believes that passing of the following resolution is in the best interests of the Corporation and unanimously recommends that disinterested Shareholders vote in favour of the foregoing resolution. It is the intention of the persons named in the enclosed Instrument of Proxy, if not expressly directed to the contrary in such Instrument of Proxy, to vote such proxies FOR the ordinary resolution to approve the new Control Person.

Share Consolidation

The Board of Directors is of the opinion that it is in the best interests of the Corporation to consolidate the Corporation’s Common Shares. Accordingly, Shareholders will be asked at the Meeting to consider, and if thought fit, to pass, with or without variation, a special resolution authorizing and approving an amendment to the articles of the Corporation pursuant to subsection 173(1)(f) of the ABCA to consolidate the issued and outstanding Common Shares on the basis of one (1) post-consolidation Common Share (a “**Post-Consolidation Share**”) for every 100 Common Share then outstanding (the “**Consolidation**”). In the event that the Consolidation would result in the issuance of a fractional share, no fractional share will be issued and such fraction will be rounded down to the nearest whole number. Accordingly, a fractional Post-Consolidation Share will be disregarded and cancelled without any compensation and Shareholders will have no further interest in either such cancelled fraction or the Common Shares that existed prior to the Consolidation.

The Consolidation is subject to receipt of all required regulatory approvals, including approval of the TSX-V and the approval of the Shareholders at the Meeting. If the approvals are obtained, the Consolidation will be effected at a time to be determined by the Board of Directors and announced by a press release of the Corporation. **Notwithstanding whether the approvals are received, the Corporation may determine not to proceed with the Consolidation at the discretion of the Board of Directors.** As a result, the Consolidation resolution also provides that the Board of Directors is authorized, in its sole discretion, to determine not to proceed with the proposed Consolidation, without further approval of the Shareholders.

Principal Effects of Consolidation

If the Consolidation is approved by the Shareholders and implemented by the Board of Directors, the 14,719,098,533 Common Shares currently issued and outstanding will be reduced to approximately 147,190,985 Post-Consolidation Shares. As the Corporation currently has an unlimited number of Common Shares authorized for issuance, the Consolidation will not have any effect on the number of Common Shares that remain available for future issuances. The Common Shares reserved for issuance pursuant to any issued and outstanding convertible securities of the Corporation would also be reduced proportionately and, in the case of the Corporation’s Long-Term Incentive Plan (“**LTIP**”), Phantom Share

Option Plan (“POP”) and Stock Option Plan, any strike price, exercise price or market reference price threshold would also be increased proportionately.

The Consolidation may result in some Shareholders owning “odd lots” of Post-Consolidation Shares. Odd lots may be more difficult to sell, or require greater transaction costs per Post-Consolidation Share to sell, than Post-Consolidation Shares in “board lots”. Brokerage commissions and other costs of transactions in odd lots are often higher than costs of transactions in “round lots” or even multiples of “board lots”.

The Consolidation will not give rise to a capital gain or loss under the *Income Tax Act* (Canada) for a Shareholder who holds such Common Shares as capital property and who receives Post-Consolidation Shares. The aggregate adjusted cost base to the Shareholder of the Post-Consolidation Shares immediately after the Consolidation will be equal to the aggregate adjusted cost base to the Shareholder of the Pre-Consolidation Shares immediately before the Consolidation. At a ratio of 100:1, the adjusted cost base per Common Share of Post-Consolidation Shares will be 100 times the amount of the adjusted cost base per Common Share of the Pre-Consolidation Shares.

The Consolidation will not affect any Shareholder’s percentage ownership in the Corporation other than by the minimal effect of eliminating fractional Post-Consolidation Shares, even though such ownership will be represented by a smaller number of Post-Consolidation Shares. Instead, the Consolidation will reduce proportionately the number of Post-Consolidation Shares held by all Shareholders.

Risks Associated with the Consolidation

There can be no assurance that the total market capitalization of the Post-Consolidation Shares (being the aggregate value of all Post-Consolidation Shares at the then market price) immediately after the Consolidation will be equal to or greater than the total market capitalization immediately before the Consolidation. In addition, there can be no assurance that the market price of the Post-Consolidation Shares will remain higher than the market price immediately before the Consolidation or equal or exceed the direct arithmetical result of the Consolidation. In addition, a decline in the market price of the Post-Consolidation Shares may result in a greater percentage decline than would occur in the absence of a Consolidation, and the liquidity of the Post-Consolidation Shares could be adversely affected.

Implementing the Consolidation

If the Consolidation resolution is approved by Shareholders and the Board of Directors decides to implement the Consolidation:

- each share certificate representing Common Shares will be deemed for all purposes to represent the number of whole Post-Consolidation Shares to which a holder is entitled as a result of the Consolidation. Shareholders are not required to send certificates representing Common Shares to Computershare; and
- the Corporation will file articles of amendment pursuant to the ABCA to amend the articles of the Corporation. Such articles of amendment shall be filed at a date to be determined by the Board of Directors to be in the best interests of the Corporation. The Consolidation will become effective on the date shown in the certificate of amendment issued pursuant to the ABCA.

Under the ABCA, Shareholders do not have a right to dissent to the resolution in respect of the Consolidation.

Consolidation Resolution

The Shareholders will be asked at the Meeting to consider, and if thought fit, to pass, with or without variation, a special resolution authorizing and approving the Consolidation, substantially in the form below:

“BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the consolidation of the issued and outstanding common shares in the capital of the Corporation on the basis of one (1) Post-Consolidation common share for each 100 Pre-Consolidation common shares (the “**Consolidation**”) is hereby authorized and approved and the Corporation is hereby directed and authorized to file articles of amendment to effect the Consolidation;
2. in the event that the Consolidation would otherwise result in the issuance of a fractional share, no fractional share will be issued and such fraction will be rounded down to the nearest whole number;
3. notwithstanding that this special resolution has been duly approved by the shareholders of the Corporation, the Board of Directors of the Corporation, in its sole discretion and without the requirement to obtain any further approval from the shareholders of the Corporation, is hereby authorized and empowered to revoke this special resolution at any time before it is acted upon without further approval from the shareholders; and
4. any director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise and to deliver or to cause to be delivered, all such other deeds, documents, instruments and assurances and to do or cause to be done all such other acts as in the opinion of such director or officer of the Corporation may be necessary or desirable to carry out the terms of the foregoing resolutions.”

To be approved, the Consolidation resolution requires the affirmative vote of not less than 66 2/3% of the votes cast on the Consolidation resolution at the Meeting, whether in person or represented by proxy.

The Board of Directors believes that the Consolidation is in the best interests of the Corporation and unanimously recommends that Shareholders vote in favour of the Consolidation. It is the intention of the persons named in the enclosed Instrument of Proxy, if not expressly directed to the contrary in such Instrument of Proxy, to vote such proxy FOR the special resolution to approve the Consolidation.

Approval of Stock Option Plan

Pursuant to TSX-V Policy 4.4 – *Incentive Stock Options* (“**Exchange Policy 4.4**”) the Corporation is permitted to maintain a “rolling” stock option plan (the “**Stock Option Plan**”) reserving a maximum of 10% of the issued and outstanding Common Shares for issuance pursuant to the exercise of stock options to acquire Common Shares (“**Options**”). In accordance with Exchange Policy 4.4, rolling stock option plans must receive shareholder approval yearly at the Corporation’s annual meeting. Shareholders will therefore be asked at the Meeting to consider and, if thought advisable, to ratify and approve an ordinary resolution to approve the Corporation’s Stock Option Plan. The Stock Option Plan was initially approved by Shareholders at the annual general and special meeting of Shareholders held on

May 30, 2014 and was reapproved at the annual general and special meeting of Shareholders held on May 28, 2015, and has not been amended since such latest approval was received. The Corporation currently has 21,400,000 outstanding Options to purchase Common Shares, at an average exercise price of CAD \$0.29 per share.

The Stock Option Plan provides that Options may be granted to directors, senior officers, management company employees, employees and consultants of the Corporation or an affiliate. For the purposes of the Stock Option Plan, the terms “employees”, “consultants” and “management company employees” have the meanings set out in Exchange Policy 4.4. In addition, the term “director” is defined in Exchange Policy 4.4 to include directors, senior officers and management company employees.

Under the Stock Option Plan, the Board of Directors or a committee appointed by the Board of Directors pursuant to the Stock Option Plan shall administer the Stock Option Plan (the “**Administrator**”). The Board of Directors has appointed the CGCC to administer the Stock Option Plan.

The Stock Option Plan provides for the issuance of Options to acquire at any time up to a maximum of 10% of the issued Common Shares which may be reserved for issuance pursuant to the exercise of Options (subject to standard anti-dilution adjustments). Any Common Shares reserved for issuance pursuant to the exercise of Options granted by the Corporation prior to the Stock Option Plan coming into force, including those issued pursuant to the Prior Stock Option Plan (as hereinafter defined), and which are still outstanding at the date of the Stock Option Plan coming into effect, shall be included in determining the number of Common Shares reserved for issuance under the Stock Option Plan. If an Option expires or otherwise terminates for any reason without having been exercised in full, the number of Common Shares reserved for issuance under that expired or terminated Option will again be available for the purposes of the Stock Option Plan. Any Option outstanding when the Stock Option Plan is terminated will remain in effect until it is exercised or it expires.

The Stock Option Plan provides that it is solely within the discretion of the Administrator to, among other things, determine who should receive Options, in what amounts and on what terms, subject to the following conditions, among others set forth in the Stock Option Plan:

- (a) Options will be non-assignable and non-transferable;
- (b) Options may be exercisable for a maximum of five years from the date of grant, subject to extension by up to 10 business days from the expiry of any blackout period, if the expiry date occurred during the blackout period;
- (c) Options to acquire no more than 2% of the issued Common Shares may be granted to any one consultant in any 12 month period;
- (d) Options to acquire no more than an aggregate of 2% of the issued Common Shares may be granted to an employee conducting Investor Relations Activities (as defined in the Stock Option Plan), in any 12 month period;
- (e) Options to acquire no more than an aggregate of 1% of the then issued and outstanding Common Shares may be granted to non-employee directors;
- (f) the aggregate value of all Options (as at the Option Grant Date, as defined below) granted to any one non-employee director in any 12 month period cannot exceed \$100,000;
- (g) unless disinterested Shareholder approval is obtained:

- (i) at no time will Options be issued which could permit at any time the aggregate number of Common Shares reserved for issuance under Options granted to insiders (as a group) at any point in time exceeding 10% of the issued Common Shares;
 - (ii) at no time will Options be issued which could permit at any time the grant to insiders (as a group), within a 12 month period, of an aggregate number of Options exceeding 10% of the issued Common Shares calculated at the date an Option is granted to any insider; and
 - (iii) at no time will Options be issued to any one person (including companies wholly-owned by such person) within any 12 month period to acquire more than 5% of the issued Common Shares; and
- (h) among other circumstances, options terminate on the earlier of the following dates:
- (i) the termination date specified for such Option in the applicable Option agreement;
 - (ii) where the Option holder's position as a director, employee or consultant is terminated for just cause, the date of such termination for just cause;
 - (iii) where the Option holder's position as a director, employee or consultant terminates for a reason other than the Option holder's disability, death, or termination for just cause, 90 days after such date of termination; provided that the Administrator may extend such period in its sole discretion to up to 12 months following such termination; and
 - (iv) where the Option holder's position as a director, employee or consultant terminates as a result of the Option holder's death, such Options may be exercisable by the successor for a period to be determined by the Administrator, which shall not be less than three months and not more than six months from the date of death.

The Stock Option Plan provides that other terms and conditions may be attached to a particular Option, such terms and conditions to be referred to in the applicable Option agreement. Options vest on the schedule specified by the Administrator at the time of the grant of the Option, provided that if no vesting schedule is specified at that time, the Option shall vest on the date of grant. Notwithstanding the foregoing, Options granted to optionees performing Investor Relations Activities will vest in stages over 12 months with no more than $\frac{1}{4}$ of the Options vesting in any three month period.

The price at which an Option holder may purchase a Common Share upon the exercise of an Option will be as set forth in the Option agreement issued in respect of such Option and in any event will not be less than: (a) the discounted market price of the Common Shares as of the date of the grant of the Option (the "**Option Grant Date**") while the Corporation remains listed on the TSX-V; provided that if the Corporation has just been recalled for trading following a suspension or halt, the Corporation must wait until a satisfactory market has been established before setting the exercise price and if Options are granted within 90 days of a distribution of securities pursuant to a prospectus, then the minimum exercise price must be the greater of the discounted market price and the prospectus offering price; and (b) the market price of the Common Shares as of the Option Grant Date if the Corporation's Common Shares are listed on any other exchange. The "market price" at any date in respect of the Common Shares will be

either: (a) the closing price of the Common Shares on the applicable exchange on the last business day preceding the date on which the Option is granted; or (b) at the discretion of the Board of Directors, such price as may be determined by a reasonable pre-determined formula for establishing the market value of the Common Shares based on a weighted average trading price or average daily high or low board lot trading price for a short period of time preceding the Option Grant Date; provided that in any event the “market price” cannot be less than the closing price of the Common Shares on the applicable exchange on the last business day preceding the date on which the grant of the Option is approved by the Board of Directors.

For purposes of the foregoing paragraph, discounted market price means the market price less a discount of up to 25% if the market price is \$0.50 or less; up to 20% if the market price is between \$2.00 and \$0.51; and up to 15% if the market price is greater than \$2.00.

Common Shares will not be issued pursuant to Options granted under the Stock Option Plan until they have been fully paid for by the Option holder. The Corporation will not provide financial assistance to Option holders to assist them in exercising their Options.

The Stock Option Plan provides for a cashless exercise feature in relation to the exercise of Options, pursuant to which an Option holder can elect as among: (a) acquiring all of the Common Shares on the payment of the exercise price therefor; (b) selling through a broker such number of Common Shares otherwise acquired on the exercise of Options to pay for the option exercise price and to settle any applicable withholding and other liabilities arising out of the exercise (including brokerage commissions) and acquiring the remaining Common Shares not sold for such purpose related to such exercised Options; or (c) selling through a broker all Common Shares acquired on the exercise of Options and receiving the proceeds of sale therefrom after deducting any applicable withholding and other liabilities arising out of the exercise (including brokerage commissions).

The Stock Option Plan provides that the Administrator may, subject to the approval of the applicable stock exchange, but without obtaining Shareholder approval, amend the Stock Option Plan so as to: (i) make amendments of a “housekeeping” nature, including without limitation, amendments for the purpose of curing any ambiguity, error or omission or to correct or supplement any provision that is inconsistent with any other provision of the Stock Option Plan or to comply with applicable laws; (ii) change the vesting provisions of an Option or the Stock Option Plan; (iii) change the termination provisions of an Option or the Stock Option Plan that does not entail an extension beyond the original expiry date of the Option; (iv) suspend, terminate or discontinue the Stock Option Plan; or (v) restrict the extent of the overall participation by insiders in the Stock Option Plan.

Other than as set forth above, all amendments to the Stock Option Plan will be subject to Shareholder approval, including without limitation in respect of any amendments to provisions addressed to: (i) the persons eligible to be granted options under the Stock Option Plan which would have the potential of broadening or increasing insider participation; (ii) the maximum number or percentage, as the case may be, of Common Shares that may be reserved under the Stock Option Plan for issuance pursuant to the exercise of Options; (iii) the removal of, or increase to, the limitations under the Stock Option Plan on the number of Options that may be granted to any one person or any category of persons (such as insiders); (iv) reducing the exercise price of any Option granted under the Stock Option Plan or extending the period during which an Option may be exercised (including the cancellation and re-grant of an Option constituting a reduction of the exercise price or extension of the exercise period of such Option), subject to any blackout period extension; (v) amend the limits on grants of Options to non-employee directors; (vi) permit Options granted under the Stock Option Plan to be transferable or assignable other than for normal estate settlement purposes; (vii) the amendment of the amendment provisions of the Stock Option

Plan; or (viii) any other amendment to the Stock Option Plan that shall require Shareholder approval pursuant to applicable laws.

The full text of the Stock Option Plan will be available at the Meeting and can also be requested by Shareholders by contacting the Corporation at the address set out in the Notice of Meeting.

Shareholders will be asked to approve the following ordinary resolution:

“BE IT RESOLVED THAT:

1. the Corporation’s Stock Option Plan be and it is hereby ratified and approved; and
2. any one director or officer of the Corporation be and is hereby authorized and directed to do all such acts and things and to execute and deliver all such deeds, documents, instruments and assurances as such director or officer may determine to be necessary or desirable to give effect to the true intent of this resolution.”

The Board of Directors of the Corporation believes that passing of the foregoing resolution is in the best interests of the Corporation. It is the intention of the persons named in the enclosed Instrument of Proxy, if not expressly directed to the contrary in such Instrument of Proxy, to vote such proxies FOR the ordinary resolution to approve the Stock Option Plan.

Election of Directors

The articles of the Corporation provide for a Board of Directors comprised of no fewer than two (2) directors and not more than twelve (12) directors. By-Law No.1 of the Corporation provides that the number of directors to be elected at each annual meeting shall be the number of directors then in office unless otherwise determined by the directors or Shareholders. The Board of Directors has determined to fix the number of directors of the Corporation for the ensuing year at four (4).

At each annual meeting of the Shareholders all of the directors retire from office, but are eligible for re-election. Each of James Coleman, Q.C., John Collenette, Robert Carter and Teck Soon Kong are not standing for re-election and will retire from the Board of Directors at the conclusion of the Meeting. It is therefore proposed that the following four (4) nominees be elected to serve until the next annual meeting of the Shareholders or until their successors are duly elected or appointed. **It is the intention of the persons named in the enclosed Instrument of Proxy, if not expressly directed to the contrary in such Instrument of Proxy, to vote such proxies FOR the ordinary resolution to elect the nominees specified below as directors of the Corporation.** Each director elected will hold office until the next following annual meeting of the Shareholders or until their respective successors shall have been elected or appointed. If for some reason any of the proposed nominees are unable to serve, the persons named in the accompanying Instrument of Proxy will use their best judgment in voting for alternative nominees.

As you will note from the enclosed form of proxy and voting instruction form, Shareholders may vote for each proposed director individually as opposed to voting for directors as a slate. In addition, the Board of Directors has adopted a majority voting policy described below under “*Majority Voting for Directors*”.

The following table states the names, ages and municipalities of residence of all persons proposed to be nominated for election as directors, the position or office now held by them, their principal occupation or employment history, the year in which they first became directors of the Corporation and

the number of Common Shares owned by them or over which they exercise control or direction as at June 3, 2016:

Name, Position with the Corporation, Municipality of Residence and Age	Present Principal Occupation or Employment, Principal Occupation of Employment for the Past Five Years or More, Educational Qualifications, Other Current Public Company Directorships and Directorships in Non-Public Companies, Organizations or Other Entities that Require a Significant Time Commitment	Common Shares, Options and Units Beneficially owned or over which Control or Direction is Exercised
Jacob S. Ulrich, Chief Executive Officer Director since 2013 <i>London, England</i> Age: 63 ⁽¹⁾	<p>Jacob Ulrich has been the Chief Executive Officer of the Corporation since February 13, 2014 and is also a Director of Sterling Resources (UK) Ltd. Mr. Ulrich also served as Interim Chief Executive Officer of the Corporation from August 29, 2013 until February 13, 2014. From 2008 to 2011 Mr. Ulrich was the senior energy advisor for Och-Ziff Capital Management Group in London, responsible for developing Och-Ziff's portfolio of upstream, renewable and infrastructure investments in the European Union, Africa, former Soviet Union and the Middle East. He was Managing Director of Centrica Energy Group from 1997 to 2008, responsible for development and operations of upstream gas and power generation assets, procurement for British Gas Retail and British Gas Business, trading and upstream/midstream business development. He holds a Bachelor of Science in Engineering degree and a Masters of Business Administration degree.</p> <p>Current public company directorships⁽²⁾:</p> <p>None.</p> <p>Other current directorships⁽³⁾:</p> <p>Astrakhan Oil Corporation⁽⁵⁾, IRC UK Board of Trustees and SRUK Holdings Ltd.</p>	1,950,000 ⁽⁴⁾ Common Shares 2,920,000 Options
Mark McComiskey, Proposed Director <i>Connecticut, USA</i> Age: 43 ⁽¹⁾	<p>Mark McComiskey is Founding Partner, Vanwall Capital, LLC. Prior to November 2015, Mr. McComiskey was a Managing Partner of Prostar Capital Ltd., a specialized global investment manager in energy infrastructure investments from October 2013. From June 2004 to April 2012 he was at First Reserve Corporation, the world's largest energy focused global private equity and infrastructure investment firm, where he served as Co-Head of Private Equity from December 2010. Mr. McComiskey holds a Juris Doctor degree from Harvard University and an AB degree in economics from Harvard College.</p> <p>Current public company directorships⁽²⁾:</p> <p>None.</p> <p>Other current directorships⁽³⁾:</p> <p>None.</p>	0 Common Shares 0 Options
Eleanor J. Barker Member of Corporate Governance and Compensation Committee and Member of Reserves Committee Director since 2014 <i>Toronto, Ontario, Canada</i> Age: 62 ⁽¹⁾	<p>Eleanor Barker is President of Barker Oil Strategies Inc. Prior to September 2014 Ms. Barker was an international oil analyst with Toll Cross Securities Inc. from April 2012. From July 2007 to April 2012 she was President of Barker Oil Strategies. Since 1996 she has focused on international oil and gas research. Ms. Barker has extensive voluntary board experience including former director of the US National Association of Petroleum Investment Analysts and former President of the Canadian Association of Petroleum Investment Analysts. She holds an Honors Bachelor of Science (Chemistry) degree and a Masters of Business Administration degree.</p>	600,000 Common Shares 140,000 Options

Name, Position with the Corporation, Municipality of Residence and Age	Present Principal Occupation or Employment, Principal Occupation of Employment for the Past Five Years or More, Educational Qualifications, Other Current Public Company Directorships and Directorships in Non-Public Companies, Organizations or Other Entities that Require a Significant Time Commitment	Common Shares, Options and Units Beneficially owned or over which Control or Direction is Exercised
	Current public company directorships⁽²⁾:	
	None.	
	Other current directorships⁽³⁾:	
	None.	
Gavin Wilson Member of Reserves Committee Director since 2013 <i>Zurich, Switzerland</i> Age: 52 ⁽¹⁾	Gavin Wilson is an advisor to Meridian Group of Companies, an investment company. Mr. Wilson was the Founder and Manager of RAB Energy and RAB Octane listed Investment Funds from 2004 until 2011. From 1992 to 2003, he worked with Canaccord Capital London, an investment banking company, as Head of Oil and Gas, responsible for sales and Corporate Broking/Finance. He holds a Bachelor of Arts degree in French History and Civilization.	0 Common Shares 260,000 Options
	Current public company directorships⁽²⁾:	
	None.	
	Other current directorships⁽³⁾:	
	None.	

Notes:

- (1) Ages are calculated as at June 3, 2016.
- (2) Refers only to issuers that are “reporting issuers” in a Canadian jurisdiction or the equivalent in a foreign jurisdiction.
- (3) Refers to directorships of non-public companies, organizations or other entities that require a significant commitment from the nominee listed.
- (4) 1,000,000 Common Shares are held by The Jacob and Sandra Ulrich 2013 Trust and 950,000 Common Shares are held by Drayton Garden Partners, Ltd.
- (5) Mr. Ulrich was a director of VOSTOK Energy PLC, a private corporation, when it went into administration in the United Kingdom in December, 2013. Mr. Ulrich is also a director of Astrakhan Oil Corporation Limited, a private company with Russian assets that made a petition for bankruptcy on March 11, 2016 to a Russian court.

The information as to shares beneficially held or controlled, not being within the knowledge of the Corporation, has been furnished by the proposed directors. The Corporation disclaims all responsibility for the accuracy thereof.

Majority Voting for Directors

The Board of Directors has adopted a policy (the “**Majority Voting Policy**”) that will permit a Shareholder to vote for, or withhold from voting for, each director nominee separately. If a director nominee has more votes withheld than are voted in favour of him or her, such nominee will be expected to forthwith submit his resignation to the Chairman of the Board of Directors, effective on acceptance by the Board of Directors. The Board of Directors will refer the resignation to the Corporate Governance and Compensation Committee (the “**CGCC**”) for consideration. The policy only applies to uncontested elections, meaning elections where the number of nominees for election is equal to the number of directors to be elected as set out in the management proxy circular for the particular meeting. The CGCC will consider all factors deemed relevant by the members of the CGCC, including, without limitation, the stated reason or reasons why Shareholders who cast “withhold” votes for the director did so, the qualifications of the director, including, without limitation, the impact the director's resignation would have on the Corporation, and whether the director's resignation from the Board of Directors would be in

the best interest of the Corporation and the Shareholders. The nominee shall not participate in any Board of Director or CGCC deliberations on the offer to resign. Within 90 days of receiving the final voting results, the Board of Directors will issue a press release announcing the resignation of the director or explaining the reasons justifying its decision not to accept the resignation. Resignations are expected to be accepted except in situations where circumstances warrant the applicable director continuing to serve as a member of the Board of Directors. If a resignation is accepted, the Board of Directors may appoint a new director to fill the vacancy created by the resignation. The full text of the Majority Voting Policy is attached hereto as Schedule “C”.

Shareholders should note that, as a result of the Majority Voting Policy, a withhold vote is effectively the same as a vote *against* a director nominee in an uncontested election.

Cease Trade Orders or Bankruptcies

Except: (a) as disclosed in Note 5 to the table under “*Election of Directors*” in respect of Jacob Ulrich’s role as a director of VOSTOK Energy PLC and Astrakhan Oil Corporation; and (b) in respect of Gavin Wilson’s role as a director of Buccaneer Energy Limited, an affiliate of Buccaneer Resources, LLC which, on May 31, 2014, along with eight of its affiliates (including Buccaneer Energy Limited), filed petitions in the United States Bankruptcy Court for the Southern District of Texas seeking relief under Chapter 11 of the U.S. Bankruptcy Code, to the Corporation’s knowledge, no proposed director is, or has been, within the ten years prior to the date of this Information Circular, a director, chief executive officer or chief financial officer of any company that (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an “**Order**”) that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or (c) was a director or executive officer of a company that, while acting within that capacity or, within a year of the person ceasing to act in that capacity, became bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

In addition, no proposed director has, within the ten years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets.

Penalties or Sanctions

No proposed director or any personal holding companies of a proposed director of the Corporation has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director of the Corporation.

Appointment of Auditor

The appointment of Deloitte LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year and authorization of the directors to fix the remuneration of the auditors will be considered at the Meeting. Deloitte LLP was first appointed auditor of the Corporation effective April 15, 2014.

It is the intention of the persons named in the enclosed Instrument of Proxy, if not expressly directed to the contrary in such Instrument of Proxy, to vote such proxies FOR the ordinary resolution to appoint the firm Deloitte LLP, Chartered Accountants, as auditors of the Corporation to hold office until the close of the next annual meeting of the Shareholders, and to authorize the directors of the Corporation to fix the remuneration of Deloitte LLP, Chartered Accountants, as auditors of the Corporation.

EXECUTIVE COMPENSATION

For the purposes of this section, “executive officer” means: the chair and any vice-chair of the Board of Directors; the president; any vice-president in charge of a principal business unit, division or function; or any other individual that performed a policy-making function in respect of the Corporation.

A “Named Executive Officer” (“**NEO**”) means, collectively:

- (a) the Chief Executive Officer of the Corporation, or any individual that acted in a similar capacity during the year ended December 31, 2015 (the “**CEO**”);
- (b) the Chief Financial Officer of the Corporation, or any individual that acted in a similar capacity during the year ended December 31, 2015 (the “**CFO**”);
- (c) each of the Corporation’s three most highly compensated executive officers, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at December 31, 2015 whose total compensation was, individually, more than \$150,000 for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation or its subsidiaries, nor acting in a similar capacity, at December 31, 2015.

COMPENSATION DISCUSSION AND ANALYSIS

Objectives of Compensation Program

The Corporation’s compensation program is designed to attract, retain and motivate key personnel, while at the same time promoting a greater alignment of interests between such personnel and the Shareholders.

The Corporation’s compensation program is designed to reward the value creation resulting from the successful implementation of the Corporation’s both short and medium term strategies. At this time, the Corporation has commenced production from one field and has made a number of discoveries which are either under development or require further appraisal prior to development decisions. Accordingly the primary short and medium term strategies revolve around the development implementation and plans and related financing. The Corporation’s compensation program has historically reinforced positive results in

these regards through both Option-based rewards and annual cash bonuses (“**Bonuses**”). During 2012 the Corporation did not receive approval for a continuation of stock option awards under its prior stock option plan (the “**Prior Stock Option Plan**”) and, on March 21, 2013, approved the LTIP for management and the POP for other employees, in part to ensure that the Corporation could continue to offer employees long term compensation linked to the performance of the Corporation. On May 30, 2014, the Corporation received Shareholder approval to adopt the Stock Option Plan, including the reservation of a maximum of 10% of the issued and outstanding Common Shares of the Corporation for issuance pursuant to the exercise of Options.

Elements of Compensation Program

As discussed in further detail below, the Corporation’s compensation program is comprised of a base salary (“**Base Salary**”), Bonuses, Options (recognizing that the Prior Stock Option Plan, as defined below, can no longer be utilized for incremental grants of Options and that any future grants of Options must be made pursuant to the Stock Option Plan), the LTIP and the POP. The Corporation also makes matching contributions toward its UK based employees’ pension plan in amounts that were not to exceed 5% of Base Salary up to the end of December 2013, which amount increased to 10% of Base Salary beginning January 1, 2014. The Corporation’s Canadian based employees received a payment of 5% of Base Salary as an equivalent retirement benefit up to the end of December 2013, which amount increased to 10% of Base Salary beginning January 1, 2014.

Base Salary

This element of compensation is designed to pay the individual a median wage, in relation to the Comparator Group (as hereinafter defined), in the locale in which the individual is located. The Corporation chooses to pay this element of compensation at the objective level in order to attract qualified personnel to an organization, while offering a larger potential exposure to equity through its existing Option awards and Performance Share Unit (as hereinafter defined) and POs (as hereinafter defined) awards. The amount payable to an officer under this element of compensation is generally determined by the experience of the individual. This element of compensation and the Corporation’s decisions about this element fit into the Corporation’s overall compensation objectives in that it is necessary to provide a base level of compensation to increase the probability of retaining individuals. The Corporation’s decisions about this element of compensation affect decisions about other elements of the Corporation’s compensation in that some adjustments can be made among the Base Salary and the other components of the Corporation’s compensation program depending on individual circumstances and desires. As a result of the Corporation’s current financial challenges and low oil pricing environment, Base Salaries have been frozen at current levels since January 1, 2015.

Bonuses

The Bonus payable to an officer is based on the achievement of certain individual performance goals, which are agreed with his/her direct supervisor at the commencement of a year. A substantial portion of the goals are objective and easily measurable. Accordingly, an individual who had not achieved a substantial portion of their goals may receive no Bonus. These goals directly relate to critical elements in the creation of value for the Corporation as determined by the Board of Directors and are not related to financial statement matters. The amount of any Bonus is discretionary and may be affected substantially by the monetary position of the Corporation at the time Bonuses are reviewed. Hence, the failure of achieving corporate goals related to monetary status may result in reduced or no Bonuses being paid. The Board of Directors did not approve any Bonuses during 2015 given the current market conditions.

Option-based Awards

The Corporation's Prior Stock Option Plan was not presented for approval at the Corporation's Annual General Meeting on May 31, 2012, and therefore no new Options may be granted to the directors, officers, employees and consultants pursuant to the Prior Stock Option Plan. Prior to May 31, 2012, Options were granted by the Corporation from time to time at the discretion of the Board of Directors, within and subject to the applicable regulatory requirements. On May 30, 2014, the Corporation received Shareholder approval to adopt the Stock Option Plan, including the reservation of a maximum of 10% of the issued and outstanding Common Shares of the Corporation for issuance pursuant to the exercise of Options. Options were granted under the Stock Option Plan in 2014, and in 2015, Options were granted under the Stock Option Plan to acquire 12,935,000 Common Shares at an exercise price of \$0.07 per Common Share. Options may be granted in the future subject to the discretion of the Board of Directors, the applicable regulatory requirements and the terms and conditions of the Stock Option Plan.

The exercise price of each currently issued Option equals the closing trading price of the Common Shares on the TSX-V on the date preceding the grant (less any discount approved by the Board of Directors up to but not exceeding any applicable discount permitted by the TSX-V). The Options' maximum term is five years. Options vest over the initial three years from the date of the grant. The Board of Directors has at its discretion created internal expiries within the term of the Options granted under the Prior Stock Option Plan and may amend these from time to time.

Under the Prior Stock Option Plan, the grant of Options to executive officers was determined by the CGCC with input from the CEO. Grants of Options under the Stock Option Plan are determined in the same manner. Previous grants of Options are taken into account when considering new grants, because the majority of grants are designed to replace expiring Options.

The role of the CGCC in setting or amending the Prior Stock Option Plan under which the Options were granted was complete in that it periodically received the advice of counsel on compliance matters and determined if the Prior Stock Option Plan must be amended. The executive officers also played a role in obtaining information in setting or amending the Prior Stock Option Plan, in that they directly liaise with counsel on these same matters. Similar roles have been adopted in respect of the Stock Option Plan.

Long-Term Incentive Plan (subsequent to June 1, 2012)

As previously indicated, during 2012 the Corporation did not receive approval for a continuation of its Prior Stock Option Plan. In order to continue to promote the success of the Corporation and the commitment of officers to that success, the Board of Directors on March 21, 2013 approved the creation of the LTIP and the grant of performance share units ("**Performance Share Units**") linked to the performance of the Corporation. The purpose of the LTIP is threefold, being to:

- increase the participants' interest in the Corporation's welfare;
- furnish an incentive to participants whose skills, performance and loyalty to the objectives and interests of the Corporation or a subsidiary are necessary; and
- provide a means through which the Corporation or a subsidiary may attract and retain able persons to enter its employment.

The LTIP is available to such executive and senior management employees of the Corporation or its subsidiaries as determined by the CGCC (a "**Designated Executive Employee**"). The POP serves a long-term incentive function with respect to non-executive level employees as discussed under the heading "*Phantom Stock Option Plan*" below. Performance Share Units are granted by the CGCC on

behalf of the Board of Directors considering factors such as the seniority of the awardees, the desired retention of the individual and the level of grants made in previous years.

The incentive compensation contemplated under the LTIP are granted in the form of Performance Share Units that generally, and subject to the CGCC’s discretion, vest on the third anniversary of the date of grant (the “**Vesting Date**”) and expire on the one (1) year anniversary of the Vesting Date (the “**Expiry Date**”). In respect of each award of Performance Share Units, the number of Performance Share Units that vest on a Vesting Date is equal to the number of Performance Share Units granted multiplied by a performance target adjustment factor (a “**Performance Target Adjustment Factor**”) in accordance with the following, subject to the discretion of the CGCC to determine different criteria and Performance Target Adjustment Factors:

- in respect of 70% of the Performance Share Units granted, the Performance Target Adjustment Factor shall be determined as follows:

Compound Annual Average Total Shareholder Return over the Performance Cycle⁽¹⁾ (Measured in Absolute Terms)	Performance Target Adjustment Factor
Less than 7%	0%
7% or more, but not greater than 25%	25% to 100% prorated on straight-line basis
Greater than 25%	100%

- in respect of the 30% of the Performance Share Units granted, the Performance Target Adjustment Factor shall be determined as follows:

Compound Annual Average Total Shareholder Return over the Performance Cycle⁽¹⁾ (Measured Against Company Peer Group)	Performance Target Adjustment Factor
1 st Quartile	100%
2 nd Quartile	25% to 100%, prorated on straight-line basis based on positioning within the Company Peer Group in the 2 nd Quartile
3 rd Quartile	0%
4 th Quartile	0%

Notes:

- (1) “Performance Cycle” means the three year period commencing on the grant date and expiring on the Vesting Date in respect of a particular grant of Performance Share Units, subject to the discretion of the CGCC to establish an earlier date for commencement of the Performance Cycle.
- (2) “Company Peer Group” means such companies as may be determined by the CGCC from time to time, in its sole discretion, which shall not exceed 20 in number.

Performance Share Units entitle Designated Executive Employee participants (“**Participants**”) to receive dividend equivalent payments during the lifetime of such Performance Share Units and reflected by way of credit to the Participant for additional Performance Share Units. Commencing on the Vesting Date and until the Expiry Date of a Performance Share Unit, a Participant is entitled to exercise his or her right to receive either: (a) if Shareholder approval of the LTIP has been obtained, Common Shares in an equivalent number to the Performance Share Units being exercised; or (b) if Shareholder approval of the LTIP has not been obtained, a cash payment equal to the product of: (i) the five (5) day volume-weighted average trading price of the Common Shares ending on the day immediately preceding the Vesting Date of such Performance Share Unit; and (ii) the number of vested Performance Share Units to which the exercise relates.

In the event that a Participant's employment is terminated:

- by death or disability, then except as otherwise determined by the CGCC, a number of unvested Performance Share Units will be treated as vested based on the number of days from the initial grant until such termination as compared to the Vesting Date, the Performance Target Adjustment Factor will be determined as at the date of termination and the Performance Cycle will consist of the period from the grant date until termination;
- by retirement, then except as otherwise determined by the CGCC, a number of unvested Performance Share Units will continue to be held by such Participant based on the number of days from the initial grant until such termination as compared to the Vesting Date and will thereafter vest pursuant to the LTIP at the same time and on the same terms as if the Participant had not been so terminated;
- for cause or by resignation other than for good reason, then all vested and unvested Performance Share Units will be forfeited; and
- without cause or by resignation for good reason, then all unvested Performance Share Units will be forfeited and all vested Performance Share Units will be settled as soon as practicable and in any event within the same taxable year.

For the purposes of the foregoing, "good reason" means, among other things, where a Participant's responsibilities, status, authority or reporting relationship with the Corporation or a subsidiary are changed without its express consent such that they are less than substantially equivalent, where a Participant's base salary is reduced except in certain circumstances, where the Corporation or a subsidiary takes any action that would materially adversely affect the Participant's participation or materially reduce the Participant's benefits, except in certain circumstances, or any requirement to relocate beyond 50 kilometres from their then current location.

In addition to the foregoing, if there occurs any event by which a person acquires de facto control or the power to exercise control over the Corporation or if any transaction or transactions occur by virtue of which a person directly or indirectly owns or exercises control over 50% or more of the Common Shares or the Corporation or any subsidiary becomes obligated to dispose of all or substantially all of its property, then each unvested Performance Share Unit will be treated as vested, the Performance Target Adjustment Factor will be determined as at the date of such occurrence, the Performance Cycle will consist of the period from the grant date until such occurrence and all vested Performance Share Units will be settled as soon as practicable and in any event within the same taxable year. The CGCC may also waive the application of the Performance Target Adjustment Factor in any such circumstance.

Further, and in respect of Participants who are employees of SRUK (as defined below) only, if more than 50% of the outstanding securities of SRUK are sold to a third party, then a number of unvested Performance Share Units will be treated as vested based on the number of days from the initial grant until such sale, as compared to the Vesting Date, the Performance Target Adjustment Factor will be determined as at the date of sale and the Performance Cycle will consist of the period from the grant date until the date of sale.

As the Corporation has not proposed the approval of the LTIP to the Shareholders at the Meeting, nor has a present intention to seek the approval of the Shareholders to the LTIP, Performance Share Units are intended to be settled in cash for the foreseeable future.

Since the adoption of the LTIP, the Corporation has an aggregate of 2,647,169 Performance Share Units outstanding to 10 Participants. Of the aggregate, the following grants were made to NEOs:

<u>Name</u>	<u>Performance Share Units</u>	<u>Performance Cycle</u>
David Blewden Chief Financial Officer	731,201	June 1, 2013 until May 31, 2016
John M. Rapach Chief Executive Officer	630,657	June 1, 2013 until May 31, 2016
David Davies VP Business Development	224,000	June 1, 2013 until May 31, 2016
Phillip Mollicone Head of Geophysics	187,920	June 1, 2013 until May 31, 2016

In light of the adoption of the Stock Option Plan on May 30, 2014, the Corporation does not expect to make any additional grants under the LTIP.

Phantom Share Option Plan

SRUK, an indirect wholly-owned subsidiary of the Corporation, adopted the POP on March 21, 2013 in order to provide long-term performance incentives for directors and employees of SRUK and its subsidiaries and consultants of SRUK and its affiliates (the “**Designated Participants**”), as recommended to the board of directors of SRUK (the “**SRUK Board**”) by the CGCC. In normal circumstances, persons who have been designated by the CGCC to participate in the LTIP will not be entitled to participate in the POP.

Pursuant to the POP, Designated Participants may be granted phantom options (“**POs**”) consisting of a right to be paid an Appreciation Amount (as hereinafter defined) per PO in relation to a notional Common Share.

POs are granted pursuant to an award letter from the SRUK Board to the Designated Participant providing: (a) the number of POs to be granted to the Designated Participant; (b) the vesting schedule specifying the dates on which the POs being granted shall vest and become exercisable (each, a “**PO Vesting Date**”); and (c) the base price (the “**Base Price**”) of the POs being granted, which in any event shall not be less than the closing price of the Common Shares on the TSX-V on the trading day prior to the grant date (the “**PO Grant Date**”). At the PO Grant Date, the SRUK Board, on the recommendation of the CGCC, may impose a limit on the Appreciation Amount and the circumstances in which such limitation shall apply.

The PO Vesting Date for POs is determined at the PO Grant Date of the applicable POs and is generally to occur after a period of not less than 18 months; provided, however, that the SRUK Board may, in its sole discretion upon recommendation of the CGCC, specify an earlier PO Vesting Date. POs which have vested shall expire and may no longer be exercised two years after the PO Vesting Date (the “**PO Expiry Date**”).

Upon vesting, each PO entitles the Designated Participant that holds it to receive on exercise of the PO (the “**Exercise Date**”) an amount equal to the difference (if positive) between the closing price of the Common Shares on the TSX-V on the trading day prior to the Exercise Date (the “**Market Price**”) (provided, however, that if the Common Shares are not listed and posted for trading on any stock exchange the Market Price shall be the fair market value of such Common Shares as determined by the SRUK Board upon recommendation of the CGCC in its sole and absolute discretion) and the Base Price in respect of the POs being exercised (the “**Appreciation Amount**”). The POs will be settled in cash.

Except in certain circumstances discussed below, the POs of a Designated Participant who ceases to be a director, employee or consultant of SRUK or its affiliates may, within 12 months of the Designated Participant ceasing to be a director, employee or consultant of SRUK or its affiliates, be exercised to the extent they were exercisable at the date of such cessation. If a Designated Participant ceases to be a director, employee or consultant of SRUK or its affiliates as a result of death or disability, his or her POs may be exercised within the earlier of 12 months of such date of cessation or the PO Expiry Date to the extent they were exercisable at the date of death or disability. If a Designated Participant is dismissed or terminated for cause, or resigns other than for Good Reason (as defined in the POP), all vested and unvested POs held by the Designated Participant shall expire immediately upon such dismissal, termination or resignation, as the case may be.

Under the POP, upon a change of control, as defined in the POP, all unvested and unexpired POs shall immediately vest and shall be exercisable only during such period and in such manner as determined by the SRUK Board upon recommendation of the CGCC.

Comparator Group

The Corporation's compensation program is developed with a view to providing competitive compensation that is in keeping with that offered by comparable companies in the oil and gas industry in general and further narrowed to the junior international exploration companies. The Corporation participates in and receives from Mercer, an expert third party, an independent survey of the compensation practices of participating corporations in the North Sea (the "**Comparator Group**"). The survey is utilized by the CGCC in evaluating its own compensation practices and ensuring those practices are aligned with the Corporation's compensation objectives and consistent, where appropriate, with peer companies.

The independent survey is not a perfect match in that the Corporation is in the bottom quartile of such factors as production and cash flow. However, by matching skill sets rather than specific titles, the Corporation believes that it provides the most useful information.

Determining Officer Compensation

The total compensation and each element of compensation payable to all officers is typically determined based on Comparator Group data and the achievement of performance goals and objectives. The Chief Executive Officer reviews this information and considers the factors and makes a recommendation to the CGCC. The CGCC reviews and discusses the recommendations and comes up with a recommendation (which may or may not be the same as that of the Chief Executive Officer), which is passed along to the Board of Directors for approval. The CGCC reviewed the Base Salaries and Bonuses elements of compensation for all employees and determined that no increases in Base Salaries or Bonuses were warranted in 2015 given the current market conditions. As such, the Board of Directors did not approve any Base Salary increases or Bonuses for 2015.

Other Factors for Understanding Compensation

Following performance, the next most important factor in determining total compensation is the need to be competitive in attracting qualified individuals. In times of high competition for qualified persons, this will increase all forms of compensation with the opposite being true when competition for these individuals is depressed.

Neither the Board of Directors nor the CGCC has directly considered the implications of the risks associated with the Corporation's compensation policies and practices. In addition, the Corporation

currently does not restrict any NEO or director from purchasing financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director. The CGCC will consider the lack of restrictions in 2016.

Circumstances Triggering Termination and Change of Control Benefits

As noted below under the heading “*Termination and Change of Control Benefits*” there are certain circumstances that trigger payments or the provision of other benefits to an officer upon termination and/or change of control. The basis for selecting these circumstances is to remain competitive with usual practice of similar companies which were determined in prior years utilizing the Comparator Group.

Compensation Governance

The Board of Directors appoints committees to assist it in performing its duties and processing the quantity of information that it receives. The CGCC reviews and recommends for approval the annual compensation and benefit packages in respect of the senior officers of the Corporation, as well as any and all Bonuses to employees. The CGCC also reviews and makes recommendations as to the adequacy and form of directors’ compensation provided by the Corporation to ensure it reflects the responsibilities and risks of membership on the Board and participation on committees of the Board. The Board will evaluate and approve, if appropriate, such recommendations.

The CGCC is comprised of a minimum of three members of the Board, one of whom should be the non-executive Chairman of the Corporation. The current members of the CGCC are James Coleman, Q.C. (Chairman of the CGCC), Robert B. Carter and Eleanor J. Barker. Teck Soon Kong stepped down from the CGCC effective April 1, 2015 and Eleanor Barker was appointed as his replacement. James Coleman, Q.C. and Robert B. Carter will both retire from the Board of Directors at the conclusion of the Meeting. The current members of the CGCC are, and their replacements on the CGCC are anticipated to be, independent for the purposes of National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“**NI 58-101**”).

The members of the Corporation’s CGCC have and will have education and experience relevant to the performance of their responsibilities as members of the Corporate Governance and Committee. The skills and experience of the anticipated Committee members include the following:

Eleanor Barker is President of Barker Oil Strategies Inc. She is a highly respected international oil and gas analyst with over 28 years of capital markets experience and seven years of integrated oil corporate experience with Imperial Oil Limited and Gulf Canada. Prior to September 2014 Ms. Barker was an international oil analyst with Toll Cross Securities Inc. from April 2012. From July 2007 to April 2012 she was President of Barker Oil Strategies. Since 1996 she has focused on international oil and gas research. Ms. Barker has extensive voluntary board experience including former director of the US National Association of Petroleum Investment Analysts and former President of the Canadian Association of Petroleum Investment Analysts. She holds an Honors Bachelor of Science (Chemistry) degree and a Masters of Business Administration degree.

The CGCC, among its other responsibilities, is responsible for developing appropriate compensation policies for senior management and directors. The CGCC has the power and authority necessary or desirable to fully and effectively discharge its mandate, including engaging and obtaining the advice of outside advisors if necessary to properly discharge its functions, duties and responsibilities.

The following table sets forth the total compensation paid by the Corporation to its NEOs for the most recently completed financial years that end on or after December 31, 2013.

Summary Compensation Table

Name and principal position	Year	Salary (\$)	Share-based awards (\$) ⁽³⁾	Option-based awards (\$) ⁽⁴⁾	Non-equity incentive plan compensation (\$)		Pension value (\$) ⁽⁶⁾	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans ⁽⁵⁾	Long-term incentive plans			
Jacob Ulrich ⁽¹⁾⁽²⁾ Chief Executive Officer	2015	544,404	0	46,713	0	0	0	0	591,117
	2014	713,016	0	364,122	0	0	0	12,349	1,089,487
	2013	0	0	0	0	0	0	0	0
David Blewden ⁽¹⁾ Chief Financial Officer	2015	386,124	0	32,041	0	0	38,612	0	456,777
	2014	416,184	0	248,995	137,410	0	41,618	0	844,207
	2013	372,778	0	0	0	0	18,639	0	391,417
John M. Rapach ⁽¹⁾ Chief Operating Officer	2015	377,214	0	32,041	0	0	37,221	0	446,476
	2014	401,192	0	248,995	132,467	0	40,119	0	822,473
	2013	360,833	0	0	0	0	17,967	0	378,800
David Davies ⁽¹⁾ VP Business Development	2015	282,332	0	26,950	0	0	28,233	0	337,515
	2014	305,959	0	165,997	86,499	0	30,431	0	588,886
	2013	273,805	0	0	23,469	0	13,691	0	310,965
Phillip Mollicone ⁽¹⁾ Head of Geophysics	2015	250,232	0	18,566	0	0	25,023	0	293,821
	2014	269,712	0	165,997	64,586	0	26,971	0	527,266
	2013	245,016	0	0	46,938	0	12,250	0	304,204

Notes:

- (1) The salary and annual incentive plan compensation for these NEOs were paid in Pounds Sterling. The Pounds Sterling amounts have been converted to US dollars at rates of 1.5286, 1.6476 and 1.5646, which were the average foreign exchange rates for 2015, 2014 and 2013, respectively.
- (2) Mr. Ulrich received salary compensation in 2014 of \$544,941 relating to 2014 and also amounts of \$160,071 and \$8,004 relating to 2013, as he did not receive any compensation during 2013 for his role as Interim Chief Executive Officer. Mr. Ulrich elected not to receive pension payments and an alternative allowance equal to the pension payments was included in Mr. Ulrich's salary for 2015 and 2014. These Pounds Sterling amounts paid were converted to US dollars at rates of 1.5286 and 1.6476, which were the average foreign exchange rates for 2015 and 2014, respectively. Mr. Ulrich received director's fees of \$12,349 in respect of his membership on the Board of Directors of the Corporation until he assumed the permanent CEO position in mid-February 2014, which are reflected in the table above. His directors' fees were paid in Canadian dollars and this amount was converted to US dollars at a rate of 0.9056, which was the average foreign exchange rate for 2014.
- (3) Share-based awards consist of Performance Share Units awards under the LTIP. The dollar amount of Performance Share Units is based on the grant date fair value of the award for the period covered by the financial year determined by using a Black-Scholes option pricing model in accordance with IFRS 2 – Share-based Payments. This method was selected due to its acceptance as an appropriate valuation used by similar sized oil and gas companies. The grant date fair value of Performance Share Units granted in each of 2012 and 2013 is zero. No Performance Share Units were granted during 2015 or 2014.
- (4) The dollar amount of Options is based on the grant date fair value of the award for the covered financial years determined by using a Black-Scholes option pricing model in accordance with IFRS 2 – Share-based Payments. This method was selected due to its acceptance as an appropriate valuation used by similar sized oil and gas companies. No Options were granted during 2012 or 2013. The amounts for 2015 and 2014 have been converted from CAD dollars to US dollars at rates of 0.7836 and 0.9056, which were the average foreign exchange rates for 2015 and 2014, respectively.
- (5) The annual incentive compensation relates to bonus payments based on the achievement of certain individual performance goals. The amount of any bonus is discretionary and may be affected substantially by the monetary position of the Corporation at the time Bonuses are reviewed. Bonuses are typically determined and paid in the subsequent financial year to which the Bonuses relate.
- (6) The pension values have been converted from Pounds Sterling to US dollars at a rate of 1.5286, 1.6476 and 1.5646, which were the average foreign exchange rates for 2015, 2014 and 2013, respectively.

Outstanding Share-based Awards and Option-based Awards

As previously indicated, during 2012 the Corporation did not receive approval for a continuation of its Prior Stock Option Plan. In order to continue to promote the success of the Corporation and the commitment of officers to that success, the Board of Directors on March 21, 2013 approved the creation of the LTIP and the grant of share-based awards consisting of Performance Share Units linked to the performance of the Corporation. No Performance Share Units were granted during 2014 or 2015.

The following table sets out all share-based awards outstanding for each NEO at the end of the most recently completed financial year.

Name	Share-based Awards		
	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$) ⁽¹⁾	Market or payout value of vested share-based awards not paid out or distributed (\$)
Jacob Ulrich Chief Executive Officer	0	0	0
David Blewden Chief Financial Officer	1,240,201	0	0
John M. Rapach Chief Operating Officer	1,103,657	0	0
David Davies VP Business Development	422,000	0	0
Phillip Mollicone Head of Geophysics	361,920	0	0

Note:

- (1) Vesting and payout of the Performance Share Units is based on service conditions and market conditions linked to the Corporation's common share price, both on an absolute return basis and in comparison to a group of Sterling's peers. If these performance targets are not achieved, the minimum payout under the Performance Share Units is zero. See "*Compensation Discussion and Analysis – Elements of Compensation Program – Long-Term Incentive Plan (subsequent to June 1, 2012)*".

The NEOs were granted Options to acquire a total of 5,220,000 Common Shares for the year ended December 31, 2015.

The following table sets out all option-based awards outstanding for each NEO at the end of the most recently completed financial year.

Option-based Awards				
Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)⁽¹⁾	Option expiration date	Value of unexercised in-the-money options (\$)⁽²⁾
Jacob Ulrich Chief Executive Officer	1,560,000 1,360,000	0.05 0.40	24-Aug-2020 29-May-2019	0 0
David Blewden Chief Financial Officer	1,070,000 930,000	0.05 0.40	24-Aug-2020 29-May-2019	0 0
John M. Rapach Chief Operating Officer	1,070,000 930,000	0.05 0.40	24-Aug-2020 29-May-2019	0 0
David Davies VP Business Development	900,000 620,000	0.05 0.40	24-Aug-2020 29-May-2019	0 0
Phillip Mollicone Head of Geophysics	620,000 620,000	0.05 0.40	24-Aug-2020 29-May-2019	0 0

Notes:

- (1) The exercise prices of the Options have been converted from Canadian dollars to US dollars at a rate of 0.7209, which was the year end foreign exchange rate for 2015.
- (2) The value of unexercised in-the-money Options has been determined by subtracting the exercise price at which Common Shares may be acquired pursuant to the Options from the closing Common Share price of \$0.02 on December 31, 2015 and multiplying such difference by the number of Common Shares that may be acquired upon the exercise of the Option. The closing Common Share price was converted from Canadian dollars to US dollars at a rate of 0.7209, which was the year end foreign exchange rate for 2015.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the aggregate dollar value for each NEO for the most recently completed financial year that would have been realized if the Options under the option-based award had been exercised on the vesting date. The dollar value that would have been realized is determined by the difference between the market price of the underlying securities at exercise and the exercise or base price of the Options under the option-based award on the vesting date.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Jacob Ulrich Chief Executive Officer	0	0	0
David Blewden Chief Financial Officer	0	0	0
John M. Rapach Chief Operating Officer	0	0	0
David Davies VP Business Development	0	0	0
Phillip Mollicone Head of Geophysics	0	0	0

Pension Plan Benefits

The following table sets out the defined contribution pension plan that provides payments in connection with retirement for the NEO's.

Name	Accumulated value at start of year (\$)	Compensatory (\$)	Accumulated value at year-end (\$)
Jacob Ulrich Chief Executive Officer	0	0	0
David Blewden Chief Financial Officer	95,681	38,612	134,293
John M. Rapach Chief Operating Officer	117,887	37,221	155,108
David Davies VP Business Development	45,462	28,233	73,695
Phillip Mollicone Head of Geophysics	36,992	25,023	62,015

Note:

(1) The values in the table above represent company contributions made to the pension plan schemes (and not the plan values). The pension values have been converted from Pounds Sterling to US dollars at a rate of 1.5286.

Effective October 8, 2001 it became a statutory requirement that employers in the UK with five or more employees undertake to make a pension scheme available to its UK resident employees within three months of them joining the company's service. During 2008, the Corporation's indirect wholly-owned subsidiary, SRUK, reached the threshold requiring that it comply with this statutory requirement. In December 2008, SRUK set up a Group Personal Pension Scheme with Aegon Scottish Equitable. At retirement the full accumulated value of an individual's pension fund will be used to provide their retirement benefits. The fund value is determined by an individual's choice of funds and the value of the units at retirement date. A wide range of investment funds is available via Aegon and other leading investment management companies. Up to a maximum of 25% of the fund value may be taken as a tax free lump sum with the balance being utilized to purchase a pension. The policy is written with a retirement age of 65, but benefits may be taken at any time between the ages of 55 and 75. Individuals are required to contribute a minimum of 5% of gross salary on a personal basis to ensure they qualify for the matching employer contribution of 5% (up to December 2013) and 10% (from January 2014). There is the flexibility to invest beyond the 5% basic individual contribution, subject to standard Inland Revenue limits. Personal contributions will receive basic rate tax relief at source, and higher rate tax relief is available via Inland Revenue. The accumulated value of the pension is payable on death before pension benefits are taken and can be placed under a Declaration of Trust. This generally ensures that the benefits may be settled directly to the nominated beneficiary and free of inheritance tax. As the contracts with Aegon Scottish Equitable are written in individual's names, individuals may elect to continue contributions on leaving the company. If contributions are discontinued, the policy will be made "paid-up". Alternatively benefits can be transferred into an alternative pension arrangement. It was agreed that SRUK would contribute on the same basis to Mr. Rapach's personal pension plan with Skandia Life, as he elected not to join the Aegon Scottish Equitable scheme.

Termination and Change of Control Benefits

There are presently employment agreements between the Corporation, or its indirectly wholly-owned subsidiary, SRUK, and the each of NEOs. In the event of termination without cause, or a Change of Control (as defined below), the employment agreements for the NEOs provide the following compensation:

Name	Compensation Upon Termination Without Cause
Jacob Ulrich ⁽¹⁾⁽³⁾ Chief Executive Officer	(a) All accrued salary to date of termination of employment; (b) All accrued vacation pay to date of termination of employment; (c) Amount equal to 18 months Base Salary; (d) Any relocation allowance agreed between the Corporation and the employee to enable the employee to return to his country of origin; (e) Such Bonus entitlement as the Board of Directors may, at its sole discretion, determine; and (f) 7.5% of amount paid in (c) above as compensation for loss of all employment benefits. (g) All unvested stock options previously granted shall vest immediately upon termination and be exercisable.
David Blewden ⁽²⁾⁽³⁾ Chief Financial Officer	(a) All accrued salary to date of termination of employment; (b) All accrued vacation pay to date of termination of employment; (c) Amount equal to 18 months Base Salary; (d) Amount equal to average Bonus received in last three calendar years; (e) 7.5% of amount paid in (c) above as compensation for loss of all employment benefits; and (f) All unvested stock options previously granted shall vest immediately upon termination and be exercisable.
John M. Rapach ⁽²⁾⁽³⁾ Chief Operating Officer	(a) All accrued salary to date of termination of employment; (b) All accrued vacation pay to date of termination of employment; (c) Amount equal to 18 months Base Salary; (d) Amount equal to average Bonus received in last three calendar years; (e) 7.5% of amount paid in (c) above as compensation for loss of all employment benefits; and (f) All unvested stock options previously granted shall vest immediately upon termination and be exercisable.
David Davies ⁽³⁾ VP Business Development	(a) All accrued salary to date of termination of employment; (b) All accrued vacation pay to date of termination of employment; (c) Amount equal to 9 months Base Salary; (d) Amount equal to average Bonus received in last three calendar years; (e) 7.5% of amount paid in (c) above as compensation for loss of all employment benefits; and (f) All unvested stock options previously granted shall vest immediately upon termination and be exercisable.
Phillip Mollicone ⁽³⁾ Head of Geophysics	(a) All accrued salary to date of termination of employment; (b) All accrued vacation pay to date of termination of employment; (c) Amount equal to 6 months Base Salary; (d) Amount equal to average Bonus received in last three calendar years; (e) 7.5% of amount paid in (c) above as compensation for loss of all employment benefits; and (f) All unvested stock options previously granted shall vest immediately upon termination and be exercisable.

Notes:

- (1) Mr. Ulrich shall be entitled to terminate his employment agreement within 30 days following a Change of Control and receive the above payments, notwithstanding any successor corporation's offer of continued employment in an equivalent capacity and status and for equivalent compensation.
- (2) Mr. Blewden and Mr. Rapach shall be entitled to terminate their employment agreements within 60 days following a Change of Control and receive the above payments, notwithstanding any successor corporation's offer of continued employment in an equivalent capacity and status and for equivalent compensation.
- (3) For the purposes of the employment agreements of the NEOS, Change of Control shall mean:
 - (a) the acquisition by a person, group of persons acting jointly or in concert, or persons associated or affiliated within the meaning of the ABCA with any such person, group of persons or any of such persons acting jointly or in concert, of beneficial ownership of fifty percent (50%) or more of the Common Shares then outstanding;
 - (b) the sale of all or substantially all of the assets of the Corporation to any purchaser in circumstances where the purchaser intends to carry on all or part of the business carried on by the Corporation, excluding a sale to an entity in which the Corporation owns 25% or more of the common shares; or
 - (c) the approval by the Shareholders of a complete liquidation or dissolution of the Corporation.

For greater clarity, Change of Control shall exclude any circumstance wherein the Corporation initiates the acquisition of, or merges with, another company such that the resulting change in shareholdings would otherwise meet the criteria in a of this note.

Under the Corporation's Stock Option Plan and, for purposes of Options granted under the Prior Stock Option Plan, upon the occurrence of a Change of Control, or in the event that the Corporation sells all or substantially all of its assets or merges, amalgamates or consolidates with any other corporation which is not a subsidiary of Sterling, or in the event of termination of the optionee without cause, all of the Common Shares subject to Options shall immediately become vested and shall be subject to exercise. In the event of the optionee's death or in the event the optionee terminates his employment, only the vested Options are entitled to be exercised. In the event of termination for any cause other than death, the Options expire immediately on such dismissal.

The table below sets out the estimated incremental payments, payables, and benefits under the various plans and arrangements with the Corporation's NEOs, assuming that a termination without cause or Change of Control took place on December 31, 2015.

Name	Salary (\$)	Other Compensation (\$)	Value of in-the money options at December 31, 2015 (\$) ⁽¹⁾	Total estimated incremental payments, payables & benefits at December 31, 2015 (\$)
Jacob Ulrich ⁽²⁾ Chief Executive Officer	816,606	61,245 ⁽³⁾	0	877,851 ⁽³⁾
David Blewden ⁽²⁾ Chief Financial Officer	579,186	85,934	0	665,120
John M. Rapach ⁽²⁾ Chief Operating Officer	558,321	41,874	0	641,162
David Davies ⁽²⁾ VP Business Development	211,749	52,357	0	264,106
Phillip Mollicone ⁽²⁾ Head of Geophysics	125,116	44,643	0	169,759

Notes:

- (1) The value of unexercised in-the-money Options has been determined by subtracting the exercise price at which Common Shares may be acquired pursuant to the Options from the closing Common Share price of \$0.02 on December 31, 2015 and multiplying such difference by the number of Common Shares that may be acquired upon the exercise of the Option. The closing Common Share price was converted from Canadian dollars to US dollars at a rate of 0.7209, which was the yearend foreign exchange rate for 2015.
- (2) The salary, other compensation and total estimated incremental payments, payables and benefits at December 31, 2015 for these NEOs would be paid in Pounds. The Pounds amounts have been converted to US dollars at rate of 1.5286, which is the average foreign exchange rate for 2015.
- (3) Other compensation and the total estimated incremental payments, payables and benefits at December 31, 2015 for Mr. Ulrich do not include any bonus entitlement that the Board of Directors, at its sole discretion, may determine to be payable.

Compensation of Directors

The directors of the Corporation and its indirect wholly-owned subsidiary, SRUK, are entitled to receive compensation for services in their capacity as directors. During 2015, the directors were entitled to receive the following compensation for services in their capacity as directors:

- (a) Compensation for directors of Sterling Resources Ltd.:
 - (i) Basic director fees: \$47,016 (CAD \$60,000) per annum;
 - (ii) Chairman: \$97,950 (CAD \$125,000) per annum;

- (iii) Committee fee: \$3,918 (CAD \$5,000) per committee member per annum, other than the Chair of the committee;
 - (iv) Committee Chair: \$5,877 (CAD \$7,500) per committee per annum; and
 - (v) Audit Committee Chair: \$9,403 (CAD \$12,000) per annum (in recognition of the additional responsibility of this position).
- (b) Compensation for directors of Sterling Resources (UK) Ltd.:
- (i) Basic director fees: \$9,172 (6,000 Pounds Sterling) per annum.

For 2015, the aggregate fees earned by directors was \$387,601. Members of the Board of Directors are entitled to be reimbursed for all reasonable expenses incurred in order to attend meetings. The aggregate amount of such expenses was \$81,090 for 2015. The Canadian dollar amounts and Pounds Sterling amounts were converted to US dollars at the average annual foreign exchange rates for 2015.

The following table sets out all amounts of compensation earned by the Corporation's directors from the Corporation and its subsidiaries for the most recently completed financial year:

Name ⁽⁵⁾	Fees Earned (\$) ⁽²⁾	Share- based awards (\$)	Option- based awards (\$) ⁽³⁾	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Eleanor J. Barker	52,893	0	4,192	0	0	0	57,085
Robert B. Carter ⁽¹⁾	60,337	0	4,192	0	0	0	64,529
James Coleman, Q.C. ⁽¹⁾	109,459	0	10,780	0	0	0	120,239
John Collenette ⁽¹⁾	47,016	0	4,192	0	0	0	51,208
Teck Soon Kong ⁽¹⁾⁽⁴⁾	66,962	0	4,192	0	0	0	71,154
Gavin Wilson	50,934	0	4,192	0	0	0	55,126

Notes:

- (1) Mr. Coleman, Mr. Carter, Mr. Collenette and Mr. Kong will each retire from the Board of Directors at the conclusion of the Meeting.
- (2) The fees earned by the directors were paid in Canadian dollars. The Canadian dollar amounts were converted to US dollars at a rate of 0.7836, which was the average foreign exchange rate for 2015.
- (3) The dollar amount of option-based awards is based on the grant date fair value of the award for the covered financial year.
- (4) In addition to his services on the Board of Directors of the Corporation, Mr. Kong serves on the Board of Directors of SRUK, an indirect wholly-owned subsidiary of the Corporation. In 2015, he received a retainer fee of 6,000 Pounds Sterling for his services as a director of SRUK. The rate used to convert this amount to US dollars was 1.5286, the average annual foreign exchange rate for 2015.
- (5) Mr. Ulrich has been omitted from this table because he is an NEO and the compensation he received during 2015 is reflected in the Summary Compensation Table under "Executive Compensation – Summary Compensation Table" above.

Outstanding Share-based Awards and Option-based Awards by Director

Prior to May 31, 2012, the directors of the Corporation and its indirect wholly-owned subsidiary, SRUK, participated in the Corporation's Prior Stock Option Plan. The Corporation's Prior Stock Option Plan was not presented for approval at the Corporation's Annual General Meeting on May 31, 2012, and therefore no new Options may be granted to the directors, officers, employees and consultants pursuant to the Prior Stock Option Plan. On May 30, 2014 the Corporation received approval to adopt the Stock Option Plan, including the reservation of a maximum of 10% of the issued and outstanding Common Shares of the Corporation for issuance pursuant to the exercise of Options. Options were granted to directors under the Stock Option Plan in 2014 and 2015 and may be granted in the future subject to the

discretion and regulatory requirements and the terms and conditions of the Stock Option Plan. The directors, other than the NEOs which are disclosed elsewhere in the Information Circular, were granted Options to acquire a total of 1,060,000 Common Shares for the year ended December 31, 2015.

The following table sets out all awards outstanding for each director at the end of the most recently completed financial year.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$) ⁽³⁾	Option expiration date	Value of unexercised in-the-money options (\$) ⁽⁴⁾
Eleanor J. Barker	140,000	0.05	24-Aug-2020	0
Robert B. Carter ⁽¹⁾	140,000 120,000	0.05 0.40	24-Aug-2020 29-May-2019	0 0
James Coleman, Q.C. ⁽¹⁾	360,000 310,000	0.05 0.40	24-Aug-2020 29-May-2019	0 0
John Collenette ⁽¹⁾	140,000 120,000	0.05 0.40	24-Aug-2020 29-May-2019	0 0
Teck Soon Kong ⁽¹⁾⁽²⁾	140,000 120,000	0.05 0.40	24-Aug-2020 29-May-2019	0 0
Gavin Wilson	140,000 120,000	0.05 0.40	24-Aug-2020 29-May-2019	0 0

Notes:

- (1) Mr. Coleman, Mr. Carter, Mr. Collenette and Mr. Kong will each retire from the Board of Directors at the conclusion of the Meeting.
- (2) Mr. Kong is also a director of SRUK, an indirect wholly-owned subsidiary of the Corporation, and received larger Option awards than other Board members as compensation in 2011.
- (3) The exercise prices of the Options have been converted from Canadian dollars to US dollars at 0.7209, which was the year end foreign exchange rate for 2015.
- (4) The value of unexercised in-the-money Options has been determined by subtracting the exercise price at which Common Shares may be acquired pursuant to the Options from the closing Common Share price of \$0.02 on December 31, 2015 and multiplying such difference by the number of Common Shares that may be acquired upon the exercise of the Option. The closing Common Share price was converted from Canadian dollars to US dollars at a rate of 0.7209, which was the year end foreign exchange rate for 2015.

Incentive Plan Awards – Value Vested or Earned During the Year by Directors

The following table sets forth the aggregate dollar value for each director of the Corporation and its indirectly wholly-owned subsidiary, SRUK, other than the NEOs which are disclosed elsewhere in the Information Circular, for the most recently completed financial year that would have been realized if the Options under the option-based award had been exercised on the vesting date. The dollar value that would have been realized is determined by the difference between the market price of the underlying securities at exercise and the exercise or base price of the Options under the option-based award on the vesting date.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Eleanor J. Barker	0	0	0
Robert B. Carter ⁽¹⁾	0	0	0
James Coleman, Q.C. ⁽¹⁾	0	0	0
John Collenette ⁽¹⁾	0	0	0

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Teck Soon Kong ⁽¹⁾	0	0	0
Gavin Wilson	0	0	0

Note:

(1) Mr. Coleman, Mr. Carter, Mr. Collenette and Mr. Kong will each retire from the Board of Directors at the conclusion of the Meeting.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information related to the Corporation's equity compensation plans for the financial year ended December 31, 2015:

Equity Compensation Plan Information

Plan Category	Number of Common Shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (\$/Security) ⁽²⁾ (b)	Number of Common Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by Shareholders ⁽¹⁾	24,431,662	0.25	13,688,345
Equity compensation plans not approved by Shareholders	N/A	N/A	N/A
Total	24,431,662	0.25	13,688,345

Note:

(1) The Corporation maintained the Prior Stock Option Plan as a "rolling" stock option plan that reserved a maximum of 10% of the issued and outstanding Common Shares for issuance pursuant to Options prior to May 31, 2012. The Prior Stock Option Plan was not presented for approval at the Corporation's Annual General Meeting on May 31, 2012, and therefore no new Options may be granted to the directors, officers, employees and consultants pursuant to the Prior Stock Option Plan. On May 30, 2014 the Corporation received approval to the Stock Option Plan which, like the Prior Stock Option Plan is a "rolling" stock option plan that reserves a maximum of 10% of the issued and outstanding Common Shares of the Corporation for issuance pursuant to the exercise of Options. Any Common Shares reserved for issuance pursuant to the exercise of Options granted by the Corporation prior to the Stock Option Plan coming into force, including those issued pursuant to the Prior Stock Option Plan, and which are still outstanding at the date of the Stock Option Plan coming into effect, shall be included in determining the number of Common Shares reserved for issuance under the Stock Option Plan. See "Matters to be Considered at the Meeting – Approval of Stock Option Plan" and "Compensation Discussion and Analysis – Elements of Compensation Program – Option-based Awards".

(2) The exercise price per security has been converted from Canadian dollars to US dollars at a rate of 0.7209, which was the year end foreign exchange rate for 2015.

CORPORATE GOVERNANCE

The TSX-V has prescribed that all entities listed on the TSX-V must conform generally to TSX-V Policy 3.1 – *Directors, Officers and Corporate Governance* ("Policy 3.1"). Pursuant to Policy 3.1, effective corporate governance: (i) requires that an effective system of accountability by management to the Board of Directors and in turn by the Board of Directors to Shareholders; (ii) requires that information be made available and decisions be reviewed; (iii) ensures that all Shareholders are protected; and (iv) in circumstances where there is a significant Shareholder, ensures that minority Shareholder interests are protected. The Corporation has structured its corporate governance so as to be in compliance with those general guidelines and the specific requirements of Policy 3.1.

In addition, the Corporation has structured its corporate governance to comply with applicable legislation and policies, including National Instrument 52-110 *Audit Committees* ("NI 52-110"), NI 58-

101 and 58-201. Attached as Schedule “B” – Statement of Corporate Governance Practices to this Information Circular is a description of the Corporation’s corporate governance practices with specific reference to NI 58-101. The Board of Directors believes that the Corporation’s governance policies and practices were fully compliant with the requirements of NI 52-110 and NI 58-101 through 2015 and substantially compliant with the guidelines of NP 58-201. In addition, the Corporation stays abreast of legislative and other policy initiatives pertaining to corporate governance matters and proactively seeks to adjust its corporate governance to address such potential requirements.

The Board of Directors

The Board of Directors has responsibility for the stewardship of the Corporation, including oversight responsibilities for planning and evaluation, financial management, operations, human resources and environment and safety. The Board of Directors has taken specific responsibility for, among other things, adopting a strategic planning process, identifying principal risks and implementing risk management systems, implementation of and compliance with a communications and disclosure policy and the consideration of management compensation issues.

Board Committees

The Board of Directors discharges its responsibilities acting either in its entirety or through one of its committees. The Board of Directors has an Audit Committee, a Corporate Governance and Compensation Committee and a Reserves Committee.

Audit Committee

The Audit Committee’s Charter

The Audit Committee generally reviews financial reporting processes, the Corporation’s system of internal controls and the audit process, and reviews the financial results prior to disclosure. **The text of the Audit Committee’s charter is attached as Schedule “A” to this Information Circular.**

Composition of the Audit Committee

The members of the Audit Committee are Robert B. Carter (Chairman of the Audit Committee), James Coleman, Q.C. and Teck Soon Kong. Each of Mr. Coleman, Mr. Carter and Mr. Kong will retire from the Board of Directors at the conclusion of the Meeting. Mr. Coleman’s, Mr. Carter’s and Mr. Kong’s replacements on the Audit Committee will be selected from the complement of new members of the Board of Directors following their election to the Board of Directors at the Meeting. Each member of the Audit Committee is independent and financially literate, as those concepts are defined pursuant to NI 52-110 and, following the Meeting each member of the Audit Committee is anticipated to be financially literate and independent.

A member of the Audit Committee is *independent* if the member has no direct or indirect material relationship with the Corporation. A material relationship means a relationship which could, in the view of the Corporation’s Board of Directors, be reasonably expected to interfere with the exercise of a member’s independent judgment. In addition, despite any determination by the Board of Directors, an individual who accepts directly or indirectly any consulting, advisory or other compensatory fee from the Corporation or any subsidiary thereof, other than in his or her capacity as a member of the Board of Directors or a committee thereof, or is an affiliated entity of the Corporation or a subsidiary thereof, is considered to have a material relationship with the Corporation.

A member of the Audit Committee is considered *financially literate* if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation.

Relevant Education and Experience of Audit Committee Members

The members of the Corporation's Audit Committee upon the conclusion of the Meeting are anticipated to have education and experience relevant to the performance of their responsibilities as an Audit Committee member.

Pre-Approval Policies and Procedures

The Audit Committee reviews and pre-approves all non-audit services to be provided to the Corporation by its external auditors.

External Auditor Service Fees

The following table presents fees for the audits of the Corporation's annual consolidated financial statements for 2015 and 2014 and for other services provided by Deloitte LLP. The Corporation appointed Deloitte LLP as auditors of the Corporation effective April 15, 2014, following the resignation of Ernst & Young LLP as auditors of the Corporation effective April 15, 2014. These amounts were in Canadian dollars and Pounds Sterling and were converted to US dollars at the applicable average annual foreign exchange rate for 2015 and 2014.

Nature of Services		2015		2014
Audit fees ⁽¹⁾	\$	197,646	\$	223,876
Audit-related fees ⁽²⁾	\$	--	\$	--
Tax fees ⁽³⁾	\$	--	\$	--
All other fees ⁽⁴⁾	\$	--	\$	--
Total	\$	197,646	\$	223,876

Notes:

- (1) "Audit fees" include fees necessary to perform the annual audit and quarterly reviews of the Corporation's consolidated financial statements. Audit fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit fees also include audit or other attest services required by legislation or regulations, such as comfort letters, consents, reviews of securities filings and statutory audits. Audit fees include fees related to the fiscal year audit, notwithstanding when the fees were billed or when the services were rendered.
- (2) "Audit-related fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax fees" include fees for all tax services other than those included in "audit fees" and "audit-related fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities. Tax fees include fees for services invoiced related to the fiscal year, notwithstanding when the fees were billed or when the services were rendered. The increase in tax fees relates primarily to international tax services received on a project.
- (4) "All other fees" include all other non-audit services.

Exemption

The Corporation is relying on the exemption for venture issuers in Section 6.1 of NI 52-110 from Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations) of NI 52-110.

Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee's Terms of Reference

The CGCC is responsible for monitoring the Corporation's governance systems, reviewing the makeup and needs of the Board of Directors, evaluating and assessing the effectiveness of the Board of Directors and its committees, and developing appropriate compensation policies for senior management and directors. **Attached as Schedule "B" – Statement of Corporate Governance Practices to this Information Circular is a description of the Corporation's corporate governance practices with specific reference to NI 58-101.**

Composition of the Corporate Governance and Compensation Committee

The members of the CGCC are James Coleman, Q.C. (Chairman of the CGCC), Robert B. Carter and Eleanor J. Barker. Each of Mr. Coleman and Mr. Carter will retire from the Board of Directors at the conclusion of the Meeting. The current members of the CGCC are, and their replacements on the CGCC are anticipated to be, independent for the purposes of NI 58-101.

Reserves Committee

The Reserves Committee's Terms of Reference

The Reserves Committee is responsible for reviewing estimates of reserves prepared by management and evaluated by independent petroleum engineers and assuring the independence of the independent petroleum engineers. In particular, the Reserves Committee's key responsibilities include to:

- (a) review at least annually the Corporation's procedures relating to disclosure of information with respect to the "oil and gas activities" (as defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101")), including its procedures for complying with the disclosure requirements and restrictions of NI 51-101 and for providing information to the independent qualified reserves evaluator(s) in connection therewith, consider the adequacy of such procedures and make appropriate reports and recommendations to the Board concerning such disclosure;
- (b) review at least annually the qualifications and independence of the independent qualified reserves evaluator(s) to be appointed or re-appointed by the Board and review and approve the expected fees to be paid to such independent qualified reserves evaluator(s);
- (c) before approving the filing of reserves data of the Corporation and the report of the independent qualified reserves evaluator(s) thereon with the applicable regulatory authorities, meet with management and each of the independent qualified reserves evaluator(s) including a meeting with the independent qualified reserves evaluator(s) "in camera" without management present to:
 - (i) determine whether any restrictions affect the ability of the independent qualified reserves evaluator(s) to report on reserves data of the Corporation without reservation; and
 - (ii) review the reserves data and the report of the independent qualified reserves evaluator(s) thereon;

- (d) review the contents and filing of any public disclosure or regulatory filings with respect to any reserves evaluations and related oil and gas activities, including annual filings, material change reports, and any filings made under NI 51-101, and make a recommendation to the Board as to whether to approve the content and/or filing thereof; and
- (e) review of reserves aspects of proposed acquisitions and divestments.

Composition of the Reserves Committee

The members of the Reserves Committee are Teck Soon Kong (Chairman of the Reserves Committee), Eleanor J. Barker and Gavin Wilson. Mr. Kong will retire from the Board of Directors at the conclusion of the Meeting and his replacement chosen from the new Board members elected at the Meeting.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Except as set out below, the Corporation is not aware of any individual who is, or who at any time during the year ended December 31, 2015 was, a director, executive officer or employee of the Corporation, or any of its subsidiaries, a proposed nominee for election as a director of the Corporation or an associate of any such director, executive officer or proposed nominee is or at any time since the beginning of the financial year ended December 31, 2015 has been indebted to the Corporation, or any of its subsidiaries, and no indebtedness of any such individual to another entity is, or has at any time since the beginning of such year been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation, or any of its subsidiaries.

The indebtedness set out below occurred due to an underpayment of employment taxes, associated interest and penalties relating to the Corporation's share option plan for UK employees.

Aggregate Indebtedness

The following table sets out certain information with respect to the aggregate indebtedness of all current and former executive officers, directors and employees of the Corporation or any of its subsidiaries to the Corporation or to another entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries that is outstanding as at June 3, 2016. The amount has been converted from Pounds Sterling to US dollars at a rate of 1.4803, which was the year end exchange rate for 2015.

Purpose	Aggregate Indebtedness (\$) ⁽¹⁾	
	To the Corporation or its subsidiaries	To Another Entity
Share purchases	Nil	Nil
Other	18,605	0

Note:

- (1) These amounts exclude "routine indebtedness", meaning any indebtedness described as follows: (i) if the Corporation or its subsidiaries makes loans to employees generally (A) the loans are made on terms no more favourable than the terms on which loans are made by the Corporation or its subsidiary to employees generally, and (B) the amount, at any time during the last completed financial year, remaining unpaid under the loans to the director, executive officer or proposed nominee, together with his or her associates, does not exceed \$50,000; (ii) a loan to a person or company who is a full-time employee of the Corporation (A) that is fully secured against the residence of the borrower, and (B) the amount of which in total does not exceed the annual salary of the borrower; (iii) if the Corporation or its subsidiary makes loans in the ordinary course of business, a loan made to a person or company other than a full-time employee of the Corporation (A) on substantially the same terms, including those as to interest rate and security as are available when a loan is made to other customers of the Corporation or its subsidiary with comparable credits, and (B) with no more than the usual risks of collectability; and (iv) a loan arising by reason of purchases made on usual trade terms or of ordinary travel or expense advances, or for similar reasons, if the repayment arrangements are in accord with usual commercial practice.

Indebtedness of Directors and Executive Officers under (1) Securities Purchase and (2) Other Programs

The following table sets out information for each individual who is, or any time during the financial year ended December 31, 2015 was, a director or executive officer of the Corporation, each proposed nominee for election as a director of the Corporation, and each associate of any such director, executive officer or proposed nominee, who is, or at any time since the beginning of the most recently completed financial year has been, indebted to the Corporation or any of its subsidiaries, or whose indebtedness to another entity is, or any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries. The amount has been converted from Pounds Sterling to US dollars at a rate of 1.4803, which is the year end exchange rate for 2015.

Indebtedness of Directors and Executive Officers Under (1) Securities Purchase and (2) Other Programs⁽¹⁾

Name and Principal Position	Involvement of Corporation or Subsidiary	Largest Amount Outstanding During Year Ended December 31, 2015 (\$)	Amount Outstanding as at April 14, 2016 (\$)	Financially Assisted Securities Purchases During Year Ended December 31, 2015 (#)	Security for Indebtedness	Amount Forgiven During the Year Ended December 31, 2014 (\$)
Security Purchase Programs						
N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Programs						
John Rapach ⁽²⁾ Chief Operating Officer	Lender	18,605	18,605	0	None	0

Notes:

(1) These amounts exclude "routine indebtedness", as that term is described in footnote (1) to the table above.

(2) Pertains to indebtedness with a subsidiary of the Corporation. A loan agreement has not yet been entered into with Mr. Rapach.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as described in this Information Circular, and except Gavin Wilson, who was a member of the Board of Directors at the relevant time and who abstained from voting in connection with the Board of Directors' approval of the Recapitalization, and to the knowledge of the Corporation, no informed person of the Corporation, proposed director of the Corporation, or any associate or affiliate of any of the foregoing persons has, or has had, any material interest, direct or indirect, in any transaction since the commencement of the Corporation's last financial year or in any proposed transaction that has materially affected, or would materially affect, the Corporation or any of its subsidiaries.

For the purposes of this Information Circular, an "informed person" means a director or executive officer of the Corporation, a director or executive officer of a person or company that is itself an informed person or subsidiary of the Corporation and any person or company that owns, directly or indirectly, Common Shares or who exercises control or direction over Common Shares or a combination of both carrying more than ten percent (10%) of the voting rights attached to all outstanding Common Shares.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Except as described in this Information Circular, to the knowledge of the Corporation no person who has been a member of the Board of Directors or an executive officer of the Corporation at any time since January 1, 2015, no proposed nominee for election as a director of the Corporation, or any associate

or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

OTHER MATTERS

Management knows of no amendment, variation or other matter to come before the Meeting other than matters referred to in the Notice of Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

DIRECTORS' APPROVAL

The contents and sending of this Information Circular have been approved by the Board of Directors of the Corporation.

ADDITIONAL INFORMATION

The Corporation will provide, without charge to a Shareholder, a copy of the Corporation's 2015 Annual Report to Shareholders containing the comparative financial statements for 2015 together with the Auditors' Report thereon and Management's Discussion and Analysis ("MD&A"), interim financial statements for subsequent periods and a copy of this Information Circular upon request to the Corporation. Financial information is provided in the Corporation's comparative annual financial statements and MD&A for the year ended December 31, 2015.

Any request for any of these documents should be made to the Corporate Secretary, Sterling Resources Ltd., 1450, 736 – 6th Avenue SW, Calgary, Alberta T2P 3T7. If you wish, this information and additional information relating to the Corporation may be accessed on SEDAR at www.sedar.com. Additional information can also be obtained on the Corporation's website at www.sterling-resources.com.

DATED: June 3, 2016

SCHEDULE "A"

STERLING RESOURCES LTD.

AUDIT COMMITTEE CHARTER

Amended August 29, 2013

I. Composition

The Committee shall be composed of three members of the Board of Directors who meet the independence and financial literacy criteria required by the rules and listing standards of the TSX Venture Exchange (the Exchange) and other relevant regulatory authorities (the Commissions).

The members of the Committee shall be appointed by the Board of Directors. If an Audit Committee Chair is not designated or present, the members may designate a Chair by majority vote.

II. Meetings

The Committee shall meet at least four times each fiscal year. The Committee shall meet with management, and shall meet periodically, but at least once a year, with the independent auditors in separate executive sessions.

III. Responsibilities

The Committee shall provide assistance to the Board of Directors in fulfilling its responsibilities relating to oversight of (i) the Company's accounting and financial reporting practices and internal control system, (ii) the independent auditor's qualifications and independence, and (iii) the performance of the Company's internal accounting functions and of the independent auditor.

The Company's management is responsible for preparing the Company's financial statements and the independent auditor is responsible for auditing those financial statements. The Committee is responsible for overseeing the conduct of these activities by the Company's management and the independent auditors.

The following shall be the primary activities of the Committee in carrying out its oversight responsibilities. The Committee may, from time to time, alter its procedures as appropriate given the circumstances and shall perform such other functions as may be assigned to it by law, the Company's Charter and By-laws or by the Exchange or the Commissions.

1. Review the results of each external audit of the Company's financial statements, including any certification, report, opinion or review rendered by the independent auditor in connection with the financial statements.
2. Review other matters related to the conduct of the audit, which are communicated to the Committee under generally accepted auditing standards and rules of the Exchange or the Commissions.
3. Based on the review under 1 and 2 above, the Committee will advise the Board of Directors whether it recommends that the audited financial statements be included in the Company's Annual Report and prepare the Committee's report to be included in the Company's proxy statement and review the material to be included in the Annual Information Form all in accordance with the rules of the Exchange or the Commissions.
4. Review with management and as required with the independent auditor the Company's interim financial results and any other filings to the Exchange or the Commissions and the matters required to be communicated to the Audit Committee under generally accepted auditing standards. The Committee will advise the Board of Directors whether it recommends approval of the interim financial results.

5. Appoint, and recommend to the shareholders for approval, the firm to be engaged as the Company's independent auditor, which firm shall report directly to the Committee. The Committee shall be directly responsible for the compensation, retention and oversight of the independent auditor, including the resolution of disagreements between management and the independent auditor regarding financial reporting. The Committee shall have the sole authority to approve all audit engagement fees and terms.
6. Evaluate the independent auditor's performance and, if appropriate, recommend its discharge.
7. Receive from the independent auditor annually a formal written statement delineating the relationships between the auditors. The Committee shall discuss with the auditor the scope of any disclosed relationships and their impact or potential impact on the auditor's independence and objectivity, and recommend that the full Board take appropriate action to satisfy itself of the auditor's independence.
8. Approve all non-audit engagements with the independent auditor, either through express prior review and approval or through the adoption of policies and procedures for engaging the independent auditor to perform services other than audit, review and attest services. Between regularly scheduled meetings of the Committee, the Chair of the Committee may represent the entire Committee for purposes of the review and approval of the terms of non-audit engagements with the independent auditor.
9. Review reports of the independent auditor and Management related to the adequacy of the Company's internal accounting controls, including any management letters and management's responses to recommendations made by the independent auditor or Management.
10. Consider, in consultation with the independent auditor and Management, the scope and plan of forthcoming external audits and the independent auditor's responsibility under generally accepted auditing standards.
11. As appropriate, obtain advice and assistance from outside legal, accounting or other advisors.
12. Determine that there are established procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
13. The Committee shall have the power to inquire into any financial matters not set forth above, and shall perform such other functions as may be assigned to it by law, or the Company's charter or By-laws, or by the Board.
14. Undertake an annual performance evaluation of the activities of the Committee, including the Committee's responsibilities as set forth above.

Amended this August 29, 2013.

SCHEDULE "B"

STERLING RESOURCES LTD.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

1. Board of Directors

57 percent of the members of the Board of Directors of the Corporation qualify as independent directors. The Board of Directors has determined that the following four directors of the Corporation are independent:

Eleanor J. Barker
Robert B. Carter

James Coleman, Q.C.
Teck Soon Kong

The Board of Directors of the Corporation has determined that the following three directors of the Corporation are not independent:

John Collenette
Gavin Wilson

Jacob Ulrich

John Collenette and Gavin Wilson are not considered to be independent as they are nominees of major shareholders, who are insiders of the Corporation. Jacob Ulrich is not considered to be independent since he is the Chief Executive Officer of the Corporation.

If all of the nominees to the Board of Directors are elected at the Meeting, 50 percent of the members of the Board of Directors, following the end of the Meeting, will qualify as independent directors. The Board of Directors has determined that the following two directors of the Corporation will be independent:

Eleanor J. Barker

Mark McComiskey

Following the end of the Meeting, Gavin Wilson and Jacob Ulrich will not be considered independent, as Jacob Ulrich is the Chief Executive Officer of the Corporation and Gavin Wilson is a nominee of Meridian, a control person of the Corporation.

2. Summary of Meetings Held, Attendance Record

During 2015, 22 Board of Directors' meetings were held. The attendance record for each current director during the 12 month period ended December 31, 2015 is as follows:

Name	Board Meetings		Committee Meetings Attended		
	Attended				
Eleanor Barker ⁽²⁾⁽³⁾	22 of 22	100%	CGCC	3 of 5	60%
			Reserves	2 of 3	67%
Robert B. Carter ⁽¹⁾	20 of 22	91%	Audit	5 of 5	100%
			CGCC	4 of 5	80%
John Collenette ⁽¹⁾	18 of 22	82%	N/A	N/A	N/A
James Coleman, Q.C. ⁽¹⁾	22 of 22	100%	Audit	5 of 5	100%
			CGCC	5 of 5	100%
Teck Soon Kong ⁽¹⁾⁽²⁾	20 of 22	91%	Audit	3 of 5	60%
			CGCC	2 of 5	40%
			Reserves	3 of 3	100%
Jacob Ulrich ⁽³⁾	19 of 22	86%	Reserves	1 of 3	33%
Gavin Wilson	18 of 22	82%	Reserves	3 of 3	100%

Notes:

(1) Mr. Coleman, Mr. Carter, Mr. Collenette and Mr. Kong will retire from the Board of Directors at the conclusion of the Meeting.

(2) Eleanor Barker was appointed to the Corporate Governance and Compensation Committee (the "CGCC") on April 1, 2015, replacing Teck Soon Kong who stepped down from the CGCC on April 1, 2015.

- (3) Eleanor Barker was appointed to the Reserves Committee on April 1, 2015, replacing Jacob Ulrich who stepped down from the Reserves Committee on April 1, 2015.

3. Directorships

Outside directorships of reporting issuers are held by the following directors of the Corporation:

<u>Director</u>	<u>Other Issuer</u>
Eleanor J. Barker	None
Robert B. Carter ⁽¹⁾	None
John Collenette ⁽¹⁾	None
James Coleman, Q.C. ⁽¹⁾	Energold Drilling Corp., Gold Reserve Inc. and PetroWest Corporation
Teck Soon Kong ⁽¹⁾	None
Jacob Ulrich	None
Gavin Wilson	None
Mark McComiskey ⁽²⁾	None

Notes:

- (1) Mr. Coleman, Mr. Carter, Mr. Collenette and Mr. Kong will retire from the Board of Directors at the conclusion of the Meeting.
 (2) Mr. Ulrich, Ms. Barker, Mr. Wilson and Mr. McComiskey are each nominated for election to the Board of Directors at the Meeting.

4. Orientation and Continuing Education

The process of education and orientation for members of the Board of Directors has not been formalized. New directors are given copies of the (1) Mandate of the Board, (ii) Code of Business Conduct and Ethics, (iii) Insider Trading Policy, (iv) Disclosure Policy, (v) Anti-Bribery and Corruption Policy, (vi) Gifts and Hospitality Policy, (vii) Whistleblower Policy and (viii) Roles and Responsibilities of the Chairman of Board and the Chief Executive Officer. An informal review with new directors of the Corporation's business, expectations of directors, current issues and opportunities and corporate goals and objectives is provided by existing directors.

A number of directors are also directors of other publicly traded companies and benefiting from being exposed to other oil and gas operations. New board members are generally selected on the basis of their breadth of experience with respect to the oil and gas business, having regard to the requirements for appropriate skill sets required by the Corporation.

Board members are encouraged to communicate with executives, management, auditors and technical consultants to keep themselves current with business and affairs of the Corporation and with respect to developments within the oil and gas industry.

5. Ethical Business Conduct

The Corporation is committed to maintaining the highest standards of integrity and accountability in its business affairs while at the same time seeking to grow its business and enhance shareholder value. The Board of Directors has adopted a Code of Business Conduct and Ethics applicable to directors, officers, employees and consultants of the Corporation. Each of these parties is given a copy of this document and must provide a certification of their understanding. A copy of the Code of Business Conduct and Ethics is available on www.sedar.com or at the Corporation's website at www.sterling-resources.com.

All members of the Board of Directors are required to disclose any activities or relationships which could have the potential for a conflict of interest.

The Corporation has adopted a Whistleblower Policy to provide officers, directors, employees and any external party with a process for raising complaints or concerns relating to unlawful, illegal or inappropriate behavior directly to the Chair of the Audit Committee, on a confidential and anonymous basis, while remaining free from any discrimination, retaliation or harassment.

The Corporation also has an Insider Trading Policy. The Insider Trading Policy prescribes rules for Insiders or Special Relationship Persons (as such terms are defined in the Insider Trading Policy) with respect to trading in securities in the capital of the Corporation by these individuals when there is undisclosed material information or undisclosed pending material developments with respect to the Corporation.

6. Nomination of Directors

The Terms of Reference of the CGCC include the recommendation of suitable candidates to the Board of Directors for consideration as members of the Board Directors. Annually, the CGCC shall assess the size, structure and composition of the Board of Directors taking into account the current strengths, skills and experience on the Board of Directors, current time demands on directors, proposed retirements, and the requirements and strategic direction of the Corporation, including what competencies and skills the Board of Directors, as a whole, should possess and make its recommendations to the Board of Directors.

7. Compensation

The CGCC is mandated to (i) review and recommend to the Board of Directors the adequacy and form of directors' compensation to ensure it reflects the responsibilities and risks of membership on the Board of Directors and participation on committees of the Board of Directors, (ii) to review and recommend to the Board of Directors the annual compensation and benefit packages in respect of the senior officers of the Corporation, including the CEO, and (iii) to review and recommend to the Board annual awards under any Long Term Incentive Plan. The CGCC has the power and authority to engage an independent compensation consultant to assess the appropriateness and competitiveness of the Corporation's compensation programs, practices and arrangements.

8. Other Board Committees

The Board of Directors has established an Audit Committee, a Corporate Governance and Compensation Committee and a Reserves Committee.

The Audit Committee generally (i) reviews financial reporting processes, (ii) reviews the Corporation's system of internal controls and the audit process, and (iii) reviews the financial results prior to disclosure.

The CGCC is responsible for (i) monitoring the appropriateness of the Corporation's governance systems with regard to external governance standards, "best practices" guidelines and with an emphasis on ongoing improvements, (ii) reviewing the makeup and needs of the Board of Directors and developing criteria for adding new directors to the Board of Directors, (iii) evaluating and assessing the effectiveness of the Board of Directors, its committees in meeting governance objectives and each individual's own contribution, and (iv) developing appropriate compensation policies for the senior management and directors of the Corporation and its subsidiaries, including the any Long Term Incentive Plans, and evaluating senior management.

The Reserves Committee is responsible for (i) reviewing estimates of reserves prepared by management and (ii) evaluated by independent petroleum engineers and assuring the independence of the independent petroleum engineers.

9. Assessments

As part of its mandate, the CGCC is responsible for reviewing annually (i) individual director performance and the performance of the Board of Directors as a whole, including processes and effectiveness, and (ii) the performance of the Chairman of the Board.

SCHEDULE “C”

MAJORITY VOTING POLICY

The Board of Directors believes that each director should have the confidence and support of the Shareholders of the Corporation. To this end, the Board of Directors has unanimously adopted this policy and future nominees for election to the Board of Directors will be required to confirm that they will abide by the policy.

Forms of proxy for the election of directors will permit a Shareholder to vote in favour of, or to withhold from voting, separately for each director nominee. The Chair of the Board will ensure that the number of shares voted in favour or withheld from voting for each director nominee is recorded and promptly made public after the meeting. If the vote was by a show of hands, the Corporation will disclose the number of shares voted by proxy in favour or withheld for each director.

If a director nominee has more votes withheld than are voted in favour of him or her, the nominee will be considered by the Board of Directors not to have received the support of the Shareholders, even though duly elected as a matter of corporate law. Such a nominee will be expected to forthwith submit his or her resignation to the Chairman of the Board of Directors, effective on acceptance by the Board of Directors. The Board of Directors will refer the resignation to the CGCC for consideration.

The CGCC will consider all factors deemed relevant by the members of the CGCC including, without limitation, the stated reason or reasons why Shareholders who cast “withhold” votes for the director did so, the qualifications of the director including, the impact the director's resignation would have on the Corporation, and whether the director's resignation from the Board of Directors would be in the best interest of the Corporation and the Shareholders. The nominee shall not participate in any Board of Director or CGCC deliberations on the offer to resign. Resignations are expected to be accepted except in situations where circumstances warrant the applicable director continuing to serve as a member of the Board of Directors. Within 90 days of receiving the final voting results, the Board of Directors will issue a press release announcing the resignation of the director or explaining the reasons justifying its decision not to accept the resignation.

The Board of Directors may (1) leave a vacancy in the Board of Directors unfilled until the next annual general meeting, or (2) fill the vacancy by appointing a new director whom the Board of Directors considers to merit the confidence of the Shareholders,

This policy does not apply where an election involves a proxy battle, i.e., where proxy material is circulated in support of one or more nominees who are not part of the director nominees supported by the Board of Directors.